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THE OUTLOOK IN HONGKONG.

The temporary clouds that hovered over Hongkong and threatened a storm of industrial unrest to break the continuity of the Colony's development since its liberation have dispersed. Once again the atmosphere is clearing and the outlook becoming serene. The strike called at the initiative of the Chinese Engineers' Guild has been settled. Eleven thousand mechanics in the docks, railways, waterworks, cement works and the Dairy Farm have gone back to work after staying out for twenty seven days.

The compromise agreement with the employers has resulted in the original demand for 150% being scaled down to an increase of 50% in the basic pay of all skilled tradesmen time workers whose previous basic pay ranged from 25 cents to 40 cents an hour. This increase will give the lowest skilled labour an increase of \$30 to \$50 a month. Pay during the period of the strike was not paid. The agreement did not include monthly paid workers or foremen, nor unskilled labour. Discussions are continuing between the separate employer firms and their own employees on the subject of remuneration not concluded within the terms of the strike settlement. In particular there are outstanding the emoluments of public utility workers but there is every reason to believe that this outstanding question will be soon settled. On the basis of settlement in one of the major dockyards for Artisans Grade I the old basic rates of \$52.—\$83.20 per month have been increased to \$78.—\$124.80 per month plus rehabilitation pay of \$80. per month making a total of \$158.—\$204.80 per month.

The Chinese Engineers' Guild has emerged from the issue with added prestige and has gained credit for its effort on the whole successful to resist being swallowed up by other unions or to be subservient to external political pressure. Notwithstanding the noisy protests of adherents of other

Another event which brightens the near horizon in Hongkong is the possibility of the early lifting of the Moratorium. Ever since September 1945 it has been forbidden to enforce the payment of debts incurred before or during the war, and all dealings in shares as well as in land have been severely restricted. These restrictions appear at long last likely to be removed, and commercial transactions can once again be free of their shackles.

The reason given from time to time for the delay in lifting the Moratorium is that it was first necessary to pass legislation in Malaya and Hongkong on the subject of debtor/creditor relationships as affected by the war. This legislation has long been under consideration in Government departments in London and a brief outline of the purport of the proposed Bill was published in the Straits Budget of August 21st, and it is believed that at the same time a Bill will be submitted to the legislature in Hongkong based on the same principles with a few adaptations to the particular case of this Colony.

The debtor/creditor relationships referred to are (1) debts incurred

unions within its ranks, its officials proved to be sober minded and level-headed leaders. The strike has had a result that is wider than the particular issue involved. The settlement showed the rise to a recognized status of the Guild as a trade union, it led to the formation of an Employers' Federation and the beginnings of the appropriate machinery for arbitration in labour disputes, and in particular brought success and much deserved satisfaction to the Commissioner of Labour and his staff whose tactful, sympathetic but skilful handling of the negotiations have earned the confidence of both parties as well as of the public.

THE MORATORIUM.

before the occupation of the territories concerned by the Japanese; (2) the balances due upon debts incurred during the occupation. Debts incurred and paid during the occupation period may be deemed closed and it would be an unwarranted interference to reopen them.

As for debts incurred before the occupation, it is believed that by far the greater part has not yet been paid and during the war probably could not have been paid as many of the debtors were either absent from the Colony, were in captivity or internment, or for some other reason were able to avoid payment to any Japanese appointed officials and at the end of the war came under the protection of the Moratorium. In a considerable number of cases debtors during the occupation made payments at first largely in good pre-war currency but later predominantly in Japanese occupation currency. In the case of such debts due to banks in respect of loans and advances payments were made to the liquidators as the Banks themselves (with a few exceptions) had been seized and put into liquidation.

In International Law of course a Japanese liquidator of a non-Government Bank or of a commercial concern is not recognized; it is a violation of The Hague Convention to seize private funds or to liquidate private enterprises. Moreover it is notorious that during the occupation of invaded territories the Japanese resorted to the compulsory imposition of a special occupation currency mainly if not entirely with a view to the spoliation of the inhabitants and the enrichment of their own treasuries. The imposed currency without backing or any link with any other currency rapidly deteriorated until it became worthless.

As a matter of law it is obvious that payment of a debt even in good currency to a stranger to the contract does not discharge a debt. This principle has been notably illustrated in

more than one decision of the Courts of Manila where the Philippine Judiciary has had the honour to lead the post-war world in legal decisions on this subject. Therefore a debtor who during the occupation period paid a liquidator is still in law obliged to pay again the amount of his debt unless the creditor has secured the advantage of such payment: the debtor who paid in occupation currency to a liquidator who had no authority to demand or to receive the debt is in a still more hopeless position.

The proposed debtor/creditor relationship Bills are intended to avoid endless litigation and to afford as simple a guidance as possible to debtors and creditors who may be uncertain as to their rights and obligations. Moreover, as the rules drafted in Malaya for carrying into effect the provisions of the proposed ordinance show, they go further in an attempt to soften the rigour of the law and to temper it in favour of the debtor.

The main provision of the legislation is that for the revaluation of all payments made in occupation currency in accordance with a sliding scale which will take account of the true value of occupation currency at the time of payment based on the then current prices. Under this revaluation scale the debtor will get credit for some value of the Japanese currency which he paid, while the creditor notwithstanding that he never received payment or any benefit therefrom will suffer a loss to the extent of such credit.

It may be inferred from this principle of revaluation of the Japanese occupation currency that the scale will decline sharply from the time when it became evident that the Japanese chances of winning the war were gone. Some portion of the debts will therefore remain outstanding and it is presumed that the securities charged with payment of the debts will remain under charge for the balance which will be payable at a rate of interest provided for in the Ordinance. The revaluation would also appear to affect payments in occupation currency on account of debts incurred during the war on which some balance remained at the time of liberation; the amount of the payments made in military yen or Japanese dollars can be revalued and the balance determined.

The proposed Ordinances deal only with payments made during the occupation period. Therefore debts which remain unpaid from a time before the occupation must be regarded as still outstanding on the terms of the original contracts between the parties and will be subject to the ordinary principles of law.

POLITICAL ADVISER FOR HONG KONG

The appointment by the Secretary of State for the Colonies of Mr C. B. B. Heathcote-Smith to be Political Adviser with effect from August 1st, 1947, is a welcome token for the recognition by the Home Authorities of the necessity for maintaining a closer link both politically and commercially between the Colony of Hongkong and the Republic of China. In the issue of this Review of June 25th the importance was emphasized of the inter-relationships between Hongkong and South China. The future of Kwangtung and South China postulates a close understanding with Hongkong. From a British point of view trade in China was originally supervised by a Superintendent of Trade in Hongkong. With the appointment of British Ambassadors to the Government at Peking, the responsibility for British trade interests in Southern China developed mainly upon the Consul-General at Canton under the British Foreign Office and the Government of Hongkong subject to the directions of the Colonial Office. The provinces of China have traditionally been governed on a loose reign from the seat of the Central Government and have enjoyed a considerable degree of autonomous power owing largely to the distance from the capital, the difficulties of communication and the factors inherent in a continental country as vast as China. The British Consular officials in Canton therefore have occupied as a matter of necessity a most important and responsible position in the care of economic and political affairs concerning their country in southern China and in the maintenance of close relations with the British Colony of Hongkong. Not only have they been Foreign Office officials but they have to some extent been informal links with the Colonial Office in the neighbouring Colony which is distant only a few hours by boat or by train.

Hitherto there has been no established link between Canton and Hongkong and the maintenance of friendly relations has been left to periodical visits of goodwill between the Governor and senior officials of Hongkong and the Military and Civil authorities in Canton and Kwangtung. The lone British Consul-General at Canton gallantly contending with an overwhelming amount of political and commercial work has endeavoured not without considerable success to maintain the smooth course of trade and friendly relations between the two ports of Canton and Hongkong. Between Hongkong and the Chinese capital of Nanking there has been hitherto no real personal liaison. It has however throughout the history of the last hundred years been obvious that troubles generally arise because of the distance between the capital of China and Hongkong and the lack of understanding of each other's problems. It has been long felt that some such arrangement was necessary as that existing between Gibraltar and Madrid whereby senior Colonial officials of Gibraltar and Foreign Office officials from the Embassy in Madrid enjoy the advantage of being attached for a reasonably lengthy period to the establishments in each other's spheres of duty.

It is therefore a wise move on the part of the Home Authorities to appoint as Political Adviser in Hongkong an officer with considerable experience of consular duties in different parts of China including Chungking during some of the years of war and of work at the Foreign Office in London. It is hoped that the importance of his office will be fully realized and that it will be sufficiently developed to exert the necessary authority and influence in the triangle of relationships on which are dependent to a major extent the future peace and prosperity of this section of the Far East.

POSSIBILITIES OF INDUSTRIAL DEVELOPMENT IN CHINA

THE FUNDAMENTALS OF INDUSTRIAL DEVELOPMENT

By James A. Rabbitt

Industrial development involves principles which are as inexorable as mathematical formulae, with some factors constant and others variable. As with so many of the important problems of modern life, ignorance of principles makes the laymen underestimate the difficulties. Some are prone to recognize only capital and labour as factors in industrial development. In a broad sense this is true, but it is far too simple. These two ele-

ments must be combined under technical direction to produce industrial energy.

Given any amount of capital and any quantity of labour, and what have we? Undigested funds and unemployment, but no industry. Thus, neither capital alone, labour alone, nor these two single factors combined are capable of creating industrial products.

What is it then that turns these two elements into industrial energy?

Capital is composed of: stored up goods, services or wealth extracted from the earth and/or fabricated by skilled labour under *technical guidance* of men *scientifically trained* as a result of thrift, character and planning which produced a surplus over requirements for subsistence.

In his primitive state man either starved or at best consumed for his bare subsistence all that he produced before he reached that state of productivity which netted him sufficient to record his experiences for the benefit of his offspring, his neighbours, his clan and their progeny.

Labour, is a *fractional* part of capital and, as a rule, is sterile and non-productive unless it is motivated by the *industrial intelligence* of men who have been educated in the arts and sciences.

This brief description of the nuclei that we call capital and labour around which must be collected the additions of more and more technical skill of ever increasing complexity, necessary for industrial development will indicate that without *technical intelligence* industrial development is impossible even though a country might possess *wealth in the earth, labour and borrowed money*.

A Survey of Industrial Intelligence

To measure a country's industrial potential we must first make a survey of its *industrial intelligence*, or the means of creating such intelligence through primary, secondary, middle and higher educational institutions giving special attention to facilities for and will to teach those endowed with a talent for mathematics, chemistry, physics and other exact sciences.

Back of such educational institutions there must be the organization, by desire and will of their alumni, of many engineering and scientific societies for the recording, discussion and publication of factual data relative to the various branches of industry.

For any country desirous of industrialization, there must be available a sufficient number of trained men to plan, establish, direct and manage finance and banking, power, agriculture, communications, transport, food, textiles, lumber, building, mining and metallurgy; the chemical, electrical, electrochemical and mechanical industries, scientific research, etc.

The above listing gives the sequence of the relative importance of industries which must be balanced in a nation as perfectly (or as nearly so as possible) as machinery in the plants within each industry.

This is rationalization and has, in the past, come late in the industrial development of the pioneer industrial countries. It is, however, possible from the beginning in the countries which have only recently begun industrialization by utilizing the inventive

genius of pioneer countries through the purchase or piracy of patents, or the purchase of equipment and processes through the grace of the modern scientific spirit which has tended to share with the world what were once treasured as trade secrets.

A brief recapitulation of the aforementioned industries and their functions, will follow for the benefit of those who wish to do their own thinking as to the extent to which countries in the Far East are likely to succeed in any program of industrialization.

ORDER OF INDUSTRIAL DEVELOPMENT

Education: General, Agricultural, Technical and Scientific

An intelligent government will provide ample educational facilities for training the scientists, engineers, technicians and skilled workers essential to modern industrial development. The old idea of the advantages of the cheap labour of illiterates has been exploded by industrial economists who have proved that "cheap" labour is, in the long run, most inefficient and thus uneconomical.

Finance and Banking

In normal times it is considered to be axiomatic that nine-tenths of the world's trade and commerce is based upon credit and credit upon confidence in men. The joint stock company is one of the most outstanding examples of confidence in men whose sense of trusteeship is depended upon to manage the affairs of an industrial or financial institution to safeguard the interests of small as well as large shareholders. Many of the largest and most successful industrial organizations are made up of thousands of small shareholders whose individual holdings would be insufficient to establish them in business. In China where the joint stock company has failed, through lack of confidence in management, it has been difficult for industry to develop.

Anti-capitalist propaganda to the contrary, the banker has been an important factor as a medium through whom the industrialists have raised funds from the public.

Other handicaps to the development of trusteeship required of good banking are found in China where law and custom have permitted usury, gambling and speculation to be practiced by the banking institutions. Good banking practice in industrial countries employs highly trained economists and consulting engineers for guidance in industrial financing.

Power

It was not so long ago that power development for industry was considered to be a problem for the industrialist alone. Now it is known to be of national importance not only for the energy it provides for industrial plant operation but for conservation of coal,

irrigation of land, the production of nitrogenous fertilizer (so essential in China) acids and other basic chemicals. Thus, hydro-electric projects of gigantic proportions are the very cornerstone of industrialization. Thermal power plants will always be necessary, but for the sake of national economy they must be designed and constructed on a scale that will obtain the maximum efficiency from every pound of coal consumed.

Agriculture

Agriculture must be treated as a basic industry because the antiquated methods of the Chinese are the same as practiced by the Romans and will not produce enough food to provide the surplus necessary to release from the lands a fair proportion of the population for work in industry. In China there are four persons on the farm to one in the city; in Japan prior to the war there was one on the farm to one in the city; and in the U.S.A. there is one on the farm to four in the city. Any system of agriculture which will increase production without decreasing the number of persons or animals to feed on the farm's products is doomed to the law of diminishing returns.

The solution is to be found only in increased water and power supply by mechanical instead of human or animal energy, the availability of low interest-bearing funds, and highly educated agricultural expert assistance for small as well as large farm operators. None of these corrective measures have been applied in China.

Japan has improved its farm production through the use of artificial fertilizers, and mechanical pumping to some degree, but there still remains a high interest rate of 15 to 20% per annum to farmers as against a rate of 3 to 5% to industrialists. The result is that her farmers have been reduced to a state of serfdom which should be intolerable to an enlightened population. We refrain from mentioning the interest rates to farmers in China.

Communications

Communications facilities are as essential to the successful functioning of industry as they are to logistics on the battlefield. Aside from the communications requirements to keep the wheels of industry in motion, there is need for a large flow of literature dealing with technical instructions to farmers, industrial workers and traders not only for teaching fundamental principles of each operation but to cope with the time element to meet seasonal demands.

Transport

Transport is the blood stream of industry, as well as of all economic life. On appropriate transport facilities depend the cost of all materials of industry which affect the final price of the finished product, and therefore, its acceptance or rejection by the consumer or foreign purchaser. There is

a direct connection between the cost of transportation and the returns to producers for their products. Labour is one of the prime productive commodities of industry so, wages to workers are influenced by transportation thus affecting the general standard of living. In congested areas where labour is glutted it cannot be sold at a fair price. Conversely low transport cost tends to reduce the price of commodities, other than labour.

A survey made by the writer in 1916 disclosed the interesting phenomenon that the wages paid in six countries investigated were inversely proportionate to the cost of transportation. In the U.S.A. the over-all average wage rate was \$2.67 per day against a transport cost of six mills per ton mile; while in China at that time with a transport cost of 10 cents a ton mile the average wage was about 20 cents per day. The cost of transporting a rug 120 miles to Tientsin by a man getting 20 cts per day was greater than the cost of transporting it 12,000 miles to New York while the men on the ship carrying it to New York received an average of \$2.00 a day. On the other hand the price of other commodities increased in many regions at the rate of 1% per mile.

Food

The processing of food for seasonal transport and preservation for off-season use is one of the important factors in an industrial economy. The American meat packing, flour, confectionery, cereals, and canning industries, as well as the fish drying and canning industries of Japan are as vital to the industrial life of those countries as is the production of steel. It is obvious that surpluses in one commodity can be exported to pay for imports of shortages. The neglect of any possible exportable surplus product, such as tea from food-starved China, is a major economic crime.

Textiles

It is of economic interest to note that the two countries preeminent in this field, England and Japan, have had to import all of their cotton and most of their wool, thus illustrating the principle that *industrial intelligence and labour are saleable commodities* in the world's markets.

It was thought at one time that Japan's success in this field was due to an abundant supply of cheap labour working under sweat-shop conditions, but the representative of the Manchester Cotton Spinners Association (Mr. Arno S. Pearse) who visited Japan in 1929-30 disproved this contention and cited *superior scientific industrial management* as Japan's chief competitive asset in producing textiles. He particularly stressed the advantages gained by Japanese mills from the employment of several university graduates at each plant who had studied the history, art and science of textiles.

This type of trained men, aside from having produced superior automatic weaving machines, had been able to mix Bombay cotton with the American staple, obtaining a cheaper but stronger product which made the Japanese chief factors in the Indian as well as the Chinese market. This is a good example of the importance of *industrial intelligence*.

The China Textiles Corp., acquired by the Chinese government from Japan as a prize of war, is at present the most lucrative industry in China. It is doubtful if, under present conditions, the Chinese can make it continue to pay. Replacements for worn out parts have disclosed the lack of knowledge on the part of the Chinese operators regarding the nature of materials required. Japanese technicians were and continue to be essential for the operation of textile mills taken over by China after the Japanese surrender.

Lumber

Timber in China is of great economic importance in the prevention of land erosion. Continental countries are usually more favoured in timber resources than island countries but they are often so profligate that they neglect the necessary economic reforestation. China is probably the world's most outstanding example of this human improvidence.

Lack of consideration for future generations is not uncommon in this world and surprisingly so where ancestor worship prevails. One would expect it to occur to some of our present day saints that they will be the ancestors of future generations and that it might pay to leave two blades of grass growing where but one was found. Perhaps the new plastic industries will replace lumber to some extent and give our trees a chance to grow.

Building

The war has created a six year back-log of building throughout the world which would make it ideal for the manufacture of all building materials and equipment for many years to come if it were not for the general breakdown and disorganization of world economics. This is an industry which can be supported to a large extent locally and is, therefore, of considerable economic importance in connection with all other industries.

China has already made a start in the production of cement but it is woefully feeble when compared with Japan's large production even though the latter country is less favourably supplied with the necessary raw materials.

Mining and Metallurgy

It is obvious to the most casual observer that industrial development in China depends largely upon the mining of metals and non-metallic minerals as well as metallurgical processing. While steel is by far the greatest quantitative metallic factor in *industrialization*, the alloying of many metals

such as aluminum, nickel, chromium, molybdenum, vanadium, copper, zinc, tin and cobalt in small quantities with iron and steel and other metals has produced the *qualitative* factor without which many of our twentieth century scientific utilities such as the airplane, speed boat, high power locomotive, motor car and hundreds of other inventions could not have been accomplished.

Alloys capable of sustaining increased loads and strains with reduced weight to give lightness with strength are essential to the high power light weight engines on which our airplanes depend. Other alloying combinations produce hardness, toughness, malleability, magnetic or non-magnetic properties, corrosion resistance, heat resistance, wear resistance, spring elasticity with strength and corrosion resistance combined, and so on unto the thousands of compositions required to meet the ever-increasing demands of our designers in coping with the exigencies of the modern scientific age.

Research and development is taking place so rapidly in metallurgy that the metallurgist, like the physician, can hardly read fast enough to keep abreast of his profession.

In the change from the iron age to the steel age and to the present alloy age, the Chinese have been placed at a particular disadvantage because of their psychological attitude towards metals. It is a fairly well established principle in industrial economics that where labour has been cheap and metals scarce, labour will be wasted and metals conserved to the point of using inferior stock with consequent breakdowns.

Chemical Industry

In the chemical industry crude products of nature are converted into more useful and valuable commodities necessary for human existence. The chemical and physical changes which take place in the processing demand purity of products. The attainment of purity of chemicals such as acids, alkalis, dyes, pharmaceuticals, perfumes, flavors, chlorine, carbides and liquified gases involves problems of corrosion of metals which come into contact with the products during processing.

The problems of metallic corrosion must be solved not only to achieve purity of product but also for economy in preventing the loss of the valuable equipment used in preparing the heavy and fine chemicals that pass on to the chemical-consuming industries where they are used in the production of fertilizers, pulp, paper, glass, ceramics, gas, petroleum and coal products, paints, varnishes, oils and fats, rayon synthetic fibre, textiles, leather, soap, sugar, explosives, rubber, plastics, etc., etc. In many cases the slightest pick-up of iron, copper or other metals will render the final products unsuitable for their purpose, such, for example, as the caustic used in processing acetate for the production of rayon yarn.

CHINESE LABOUR UNIONS IN HONGKONG

By the end of June 1946 a total of 136 labour union, trade associations, benevolent societies and public organisations were registered with the Secretary for Chinese Affairs (SCA) of Hongkong Govt. Of these associations etc. three claimed to have a membership of over 5,000, 18 with between 1,000 and 5,000 members, 67 with 250-1,000 members, 46 with 50-255 members and two with less than 50 members.

Since all public Chinese organisations are registered with the S.C.A. without any classification as to their nature, it is most difficult even for official quarters to distinguish them and to ascertain, for instance, the exact number of labour and trade unions in the Colony. The number of the organisations registered at SCA have increased

The United States Government has recently granted a credit of US\$16 million to the Yungli Chemical Co., producers of caustic soda and fertilizers, but their total capacity will fall far short of China's requirements.

Electrical, Electro-chemical and Mechanical Industries

From the foregoing it is apparent that the problems of metals and alloys are not confined to the metals industries alone but extend to all industries where metals are used. This overlapping of technical problems and service in industry demands a degree of co-ordination of commodities and services such as has never before existed in the history of man. This co-ordination calls for the highest degree of objective thinking and the acceptance by each field of engineering of a full share of responsibility for furnishing at all times the right materials for meeting exacting conditions which frequently involve human lives and always the life of industry itself.

Research

Research is to industry as fertilizer is to the soil; without it products, equipment and processes become obsolescent or are 'still-born. Intelligent industrialists put a large share of their gross profits into research in order to keep their industry alive.

The Chinese scientists have exceptional ability for research work and have done excellent work abroad. At home they have been stifled by a hand-to-mouth medieval political economy.

The machinery for advertising and marketing must be as highly developed and co-ordinated as the machinery for production. Otherwise, the whole economic system will bog down.

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during 1947 to approximately 160, according to estimates of the Labour Office.

New Labour Law

With a view to ascertaining the exact number of labour and trade unions and their total memberships, a Trade Union and Trade Disputes Ordinance has been drafted by the Attorney General and is expected to be introduced in the Legislative Council shortly. When it is adopted, all labour and trade unions will be required to register with the Labour Office, giving details regarding their respective number of paying members and organisation memorandum.

The drafted Ordinance seeks furthermore to empower the Labour Commission to declare illegal any strike by workers whose unions are not registered with the Labour Office under this proposed Ordinance. It is the earnest desire of the Government to promote true and well-organised labour and trade unions to represent workers of various types and factories and to empower the unions to look after the general welfare of their members and to negotiate with management in any disputes. It has been in the past the intention of the Labour Office to see direct negotiations between labour unions and management over any disputes between employers and employees without the participation of the Labour Commissioner, unless the services of the Labour Office were required for arbitration in deadlocked disputes.

Political Influences

Officials in the Labour Office do not pretend ignorance of the fact that many local labour disputes and strikes were influenced or even engineered by political factors, though every labour union which called for a strike always denied their association with any political parties or admitted that a strike was instigated by political motives. To ascertain the exact influence exercised by political parties in many of the past labour disputes and strikes has usually not been possible.

It would be most desirable for all local labour and trade unions to unite and jointly promote a Federation to look after the welfare of the Colony's entire labour force and to represent the local labour unions at intertional labour conferences. Such a Labour or Employees Federation could be affiliated with the British Labour Federation which has today almost 8 million members from 191 labour unions.

Local industrialists have already commenced preparatory steps for the purpose of forming an Employers' Federation which will eventually join as a member branch the Colonial Employers' Federation which is affiliated to the British Employers' Federation.

The local federation will unite European and Chinese companies and is to be registered under the proposed Trade Unions & Trade Disputes Ordinance, 1947.

Practically all local Chinese labour unions have political affiliations, i.e. they either are in name or in fact loyal to, or even sponsored by, the Kuomintang or the Communist Party. With the exception of two labour organisations, viz the Chinese Seamen's Union (Hongkong branch) and the Hongkong's Seamen's Union, who openly acknowledge their affiliation to and support of Chinese political parties, none of the local labour or trade unions is willing to admit frankly any association with a Chinese political party.

Responsible officials of the Kuomintang have mapped out plans to promote and organise a Labour Federation in Hongkong. The Labour Office has meanwhile also circularized forms to many known labour or trade unions, requesting them to give the names of their paying members.

Chinese National Labour Federation

Mr. Chu Hsueh-fan, former chairman of the Chinese National Labour Federation, fled last year from China to Hongkong for political reasons and attempted to organise a Hongkong Chinese Labour Federation. Owing to his unpopularity in China and to his being denounced by the Chinese National Government, Mr. Chu received little support from the local Chinese labour associations and he eventually could not materialise his plan. He later went to Paris and participated in the world labour conference on behalf of China despite the fact that he then had been deprived of his chairmanship by the Chinese National Labour Federation (Kuomintang) and wanted by the Chinese Government on the strength of a warrant issued for his arrest by the Supreme Court in Nanking for allegedly embezzling large sums of relief funds donated by American and other foreign labour unions for the Chinese National Labour Federation.

It seems that the local office of Kuomintang or leading officials connected with that Party office stand a good chance to bring a number of local labour unions under one hat by organising them into a proposed 'Labour Federation of Hongkong.' However, the increasing strength and support which leftist and democratic labour unions in the Colony command and the aversion on the part of the working class to be utilised by political parties for ends which are, in the final analysis, anti-labour may result in quite a few unions refraining from accepting the Kuomintang sponsored invitation.

Local Labour & Trade Unions

We have conservatively estimated that there are approximately 70 labour and trade unions with a total of about 100,000 members in Hongkong. Fifty

of these organisations with some 75,000 members are real labour unions, while the remaining 20 unions with 25,000 members are trade unions jointly participated in by employers and employees.

Of these organisations the biggest is the Chinese Seamen's Union, Hongkong Branch, with a registered membership of 18,000, while the smallest is the Bamboo Workers' Union with only 50 members. Leading unions have memberships as follows:—One union with 6,000 members, two with 5,000 members each, one with 5,400, one with 5,000, one with 3,500, two with 3,000 each, one with 2,713, two with 2,500 each, five with 2,000 each, 10 with between 1,000 and 1,350 each. The other unions have only less than 1,000 members each.

The labour and trade unions include workers of all organisations and trades such as employees of the H.K. Government, British military forces, public utilities, dockyards, restaurants, cafes, tea houses, hotels, boarding houses, workers from factories and industrial establishments, seamen, domestic servants in European residences, stevedores, brassmiths, ironsmiths, goldsmiths, silversmiths, tinplate smiths, furniture and shoe makers, tailors, drivers, engineers, hawkers, printers, fishermen, market stall dealers, bamboo and rattan ware makers, paper mill workers, drum makers, wooden box packers, electric plating workers, building construction workers, watch repairers, snark's fins dealers, market stall workers, etc., etc.

As far as membership and political influence is concerned, the leading labour union here is the Kuomintang controlled Chinese Seamen's Union, Hongkong Branch, which has 18,000 members, including some 3,000 registered with the Union's branch in Macao. The headquarters of this organisation is in Shanghai and is controlled by General Yang Fu, former Garrison Commander of that city and one of the very influential Kuomintang members. The Union has branches all over the coastal and river ports in China as well as in many leading cities abroad, such as in London, Liverpool, San Francisco, Amsterdam, Manila and Calcutta. Claiming to have a total of 800,000 members registered with its headquarters and various branches in China and abroad, the Union is in a position to exert certain pressure within China and could influence communications between China and abroad.

The Union is closely linked with all the inland river shipping unions in China and in Hongkong as well. Members of the Chinese Seamen's Union may automatically become members of any inland river shipping union once they leave ocean ships to serve aboard river boats. This policy of course applies also to members of the inland river shipping unions whenever they go on board coastal and ocean steamers.

The Union charges as entrance fee for men who join in Hongkong \$3.60 which includes \$1.20 for a badge. The monthly subscription of members

amounts to 2% of the wages. The Union in return negotiates on behalf of its members with shipping companies and endeavours to settle disputes.

The position of the Union in China is distinguished by an extraordinary measure of influence wielded inside the Kuomintang and in politics generally. Foreign shipping companies have time and again found that the bargaining strength of the Union far exceeds its position as a labour union due to the political backing which the Union enjoys in China which of course is a vice versa proposition from the point of view of the Kuomintang. The Union is able to paralyse the movement of foreign shipping in case of non-compliance of foreign shipping firms with requests put to them by the Union's executive officials. Foreign ships with Chinese crew members are liable to be detained in Chinese ports pending the satisfactory settlement of demands made by the Union.

The position in Hongkong is much easier as Government here would not permit of an undue amount of political influence complicating labour issues. However, the Seamen's Union has usually found means and ways to satisfy their claims and seems to come out on top in most if not all disputes. The strategy of the Union in case of a dispute is rather simple: ships owned by shipping firms who have a case pending with the Union's local branch may find themselves unduly detained when calling on Chinese ports as a consequence of the tacit agreement of all branches of the Seamen's Union to render "assistance" to each other should members of any one branch become involved in disputes with the companies.

Hongkong Seamen's Union

The second local seamen's organisation is the Hongkong Seamen's Union which has about 3,000 members most of whom serve on the larger ocean ships operated by European and American shipping companies. The Union is strongly opposed to the labour policy of the Kuomintang and disagrees with the principles underlying the management of the affairs of the Chinese Seamen's Union. A number of the Union's executives were identified with supporters of the Communist Party.

There is keen competition between the two seamen's organisations and officials of both groups are canvassing for members and support. Inside China any leftist labour organisation has very limited legal scope for activity and seamen have accordingly to join the Kuomintang labour unions. On the other hand the influence and increasing number of members of the anti-Kuomintang seamen's union in Far Eastern countries has particularly been noted in Malaya and the East Indies.

The Hongkong Seamen's Union has been successful in procuring jobs for unemployed seamen both here and in neighbouring countries; in case of prolonged unemployment the Union pays monthly allowances to members. Political

pressure however has compelled a number of seamen to join the Chinese Seamen's Union; members of the Hongkong Union when entering a Chinese port have been detained by Chinese gendarmes and forced to join the Chinese Seamen's Union and such incidents have caused anxiety among seamen generally. It has become rather unsafe for Hongkong Union members to get ashore in China.

Intimidation tactics employed by the more unscrupulous officials of the Chinese Seamen's Union has had some effect. Nevertheless the local Seamen's Union, with the moral support of a substantial number of overseas Chinese among all classes of society are progressing well as the total number of members of the Union here and especially of similar and affiliated seamen unions in other Far Eastern countries show. The Hongkong Seamen's Union is international in character but there are hardly any other members but Chinese.

Inland River Shipping Union

This Union has a membership of about 2,500 and is linked to the Kuomintang controlled Chinese Seamen's Union. Taking both unions together about half of its registered members are now jobless (out of a total of 20,500 members some 10,000 are unemployed at present).

Chinese Engineers' Institute

This skilled labour union established since 1911 has a membership of over 5,000 men, divided into 13 branches viz. engineers, fitters, turners, boiler-makers, pattern-makers, moulders, plumbers, draftsmen, engine-drivers, electricians, blacksmiths, welders and coppersmiths.

The influence of the Chinese Institute has spread among the technical staff of public utilities, dockyards, hotels, cold storages, factories and Govt, as well as Military and Naval utility and industrial establishments.

In 1920, the Institute called for a general strike of its members which affected then the utilities, dockyards and some factories. Some 11,000 skilled labourers, mechanics and including sympathisers with the Institute, participated in the 1920 strike.

The Institute is linked with the local Kuomintang Headquarters. The entrance fee of the Institute is \$5 and the monthly subscription is \$1.

Other Labour Unions

With 26 years' history, the Motor Car Drivers' Association is another strong labour union in the Colony. The present membership of the association totals 5,400. Its members included 1,000 drivers each serving in the British Army Land Transport and the H.K. Government, 600 motorbus drivers, 500 taxi drivers, 400 lorry drivers and 500 public and private car drivers.

The association operates two clubs, one on the island and the other on the mainland. Its entrance fee is \$5, plus the cost of a member's badge, and the

monthly subscription is \$1.50, including 50 cents for welfare fund. The association offers between \$200 and \$700 to the direct dependents of any member following accidental death. The amount depends upon the period of a member's association with the union. The association is closely connected with the China Motorbus Union, the Kowloon Motorbus Union, and the H.K. & Kowloon Tax Drivers' Union.

The most prosperous labour union so far as employment is concerned is the "Hongkong Foreign Labour Union", which counts only 100 unemployed out of its total membership of 3,500—the prewar membership was 7,000. Any Chinese who is working with Europeans and whose work is of a non-Chinese nature (such as cooking foreign food) can theoretically become a member of the union. However, in fact its members are only domestic servants—amahs, cooks, boys and coolies—employed by non-Chinese families and those boys, cooks, coolies and servants working in the European hotels. According to the officials of the union there is a shortage of cooks and the union has many difficulties in procuring suitable men or women when approached by foreign residents. With the payment of \$4.50 entrance fee, including \$1 for the welfare fund and \$1.50 for a badge, and a monthly subscription of \$1.30 (30 cents for the welfare fund), every member is privileged to have free medical services and his children may attend free night schools while his direct dependents will receive a sum of \$150 upon a member's death.

Other strong labour unions in Hongkong are the Hawkers' Associations (altogether three in number whose total membership is 6,000), the Restaurant, Tea House, Eating House and Cafe Workers' Association (altogether three in number with 8,500 members), the Vegetable & Fruit Dealers' Association (5,500), the Stevedores' Union (3,000), the Chinese Employees' Association of the Sanitary Department (2,000), the Barbers' Union (2,000), the Boarding House Workers' Union (2,000), the Fishermen's Association (2,500), the Ironsmiths' Union (1,300), the Printers' Union (two unions with 1,200 members together), the Building Construction Workers' Union (1,200), the Soya Sauce Workers' Union (two with 4,000), the Salt Fish Dealers' Association (1,000), the Watch Makers' and Repairers' Union (1,000), the Weaving and Knitting Factory Workers' Union (2,000), the H.K. Government Chinese Employees' Association (1,200), the Rickshaw Pullers' Association (1,060), the Packing Workers' Union (two with 930), the Chinese Employees' Association of the H.K. Telephone Company (400), the Moulders' Union (500), the H.K. Electric Co. Chinese Employees' Association (600), the Naval Dockyard Chinese Employees' Association (400), the Leather Produce Workers' Union (600), the Electric Platers' Union (500), the Shipbuilders' Union (600), the Scaffolding Workers' Union (400).

DEVELOPMENT OF LABOUR UNIONS IN CHINA

Labour Unions of Hongkong

Chinese labour unions have sprung from medieval associations of craftsmen similar to the guilds of Europe of the Middle Ages. The earliest Chinese associations protecting and promoting interests of groups of men engaged in manual skilled work can be traced back to Triad Societies such as the prominent Heaven & Earth Society (Tien-Ti-Hui) which was probably established in 1674. Triad societies have degenerated during the last century into semi-political and often outright criminal associations which were at times able to hold large districts and towns at ransom.

At the approach of Western industrial civilisation, reluctantly adopted in some of the former Treaty Ports by advanced Chinese in collaboration with returned students, a few craft guilds of the 19th century slowly took on the shape of industrial labour unions but it was only after the end of the first world war that the Chinese labour movement commenced its career. In 1919 the Chinese Republic became a member of the International Labour Organisation at Geneva and with the establishment of the Chinese Communist Party, in 1920 in Shanghai, organised industrial labour showed signs of life. There were, it is true, some labour unions in existence before 1914 especially in Shanghai's International Settlement and French Concession and the first strike in China occurred as early as 1913, however, no working class consciousness had then been developed. This of course was a consequent of the backwardness of industrial development in China's coastal cities not to mention most towns in the interior where even today modern industrial establishments are only known from moving pictures.

Rapid Progress

When a National Labour Conference was held in Canton, May 1925, some 250 delegates of different unions appeared who allegedly represented 570,000 organised labourers. Within 5 to 6 years after the end of World War I the development of Chinese labour unions was rapid and conspicuous. The establishment of unions and the political utilisation of organised numbers of workers became one of the principal objects of the early revolutionary Kuomintang (KMT) in its struggle for power in China. The working class, as far as organised and therefore being a powerful support, rallied behind the revolutionary KMT and saw the Party win through to complete national success in 1925/26.

In May 1925 the All-China Labour Federation was established in Canton which was affiliated with the Labour Internationale under the sponsorship of the USSR. At that time the KMT was guided, advised and assisted by the USSR, and Dr. Sun Yat-sen advocated the closest and most intimate alliance with the Soviet Union.

The Split

The split between the right and the left wing of the KMT happened in April 1927 and as a consequence the flourishing labour movement was subjected to persecution by the victorious right wing of KMT. All labour leaders who did not align themselves with the rightists—what was later called the CC-clique of KMT or the reactionary group—were either liquidated or had to flee the country. From that time originates the radical and leftist Chinese labour movement leaders of which emigrated to foreign countries; those anti-right KMT labour and political leaders and followers who remained in China had to barricade themselves in almost inaccessible parts of north China.

The most active and most numerous labour organisation prior to April 1927 was in Shanghai, viz the Shanghai General Labour Federation. As practically all Chinese industries were operating in Shanghai, under the protection of the foreign authorities in the Settlement and Concession, the majority of the industrial proletariat of China was living and working in Shanghai. The persecution by the reactionary KMT of the Shanghai General Labour Federation has been particularly brutal and relentless. The new KMT government of China was set up in 1927 in Nanking and as one of its first objects it commenced to re-organise the Chinese labour movement; a Labour Union Law, 1929, compelled all unions to be centralised under the Government Labour Bureau; special trade unions were set up, the principal ones being the unions of seamen, miners, postal, railway, telegraph and cotton mill workers.

Before the outbreak of the war between China and Japan, 1937, the total number of unions was 1,051 with an estimated number of registered members of 912,000 while over one million of industrial workers were then officially acknowledged as unemployed.

CP/KMT Struggles

The war years caused temporary though uneasy cooperation between the KMT and the Communist Party of China (CP). The proletariat supported this cooperation but it was realised by more far-seeing political and labour leaders that the struggle between the two parties of China was of fundamental character and that a post-war coalition government was unlikely. The Nanking Govt. in exile was ruling during the war from Chungking while the Communist Party had its headquarters in Yenan; the Chungking-permitted labour organisation was known as Chinese Association of Labour (CAL) which was founded, under KMT sponsorship, in 1935—in

Shanghai. CAL became a member of the World Federation of Trade Unions. On the other hand, labour unions in Communist controlled China organised the Federation of Trade Unions (in the Liberated Areas, which phrase designates in fact the China under Communist control).

After the Japanese surrender CAL and the Federation of Trade Unions (FTU) were even more closely co-operating than during the war years when the official relations between KMT and the Communist Party (CP) were superficially correct. As time went on CAL and FTU were streamlining their activities and the influence of FTU and CP became ever more pronounced. Both organisations jointly took part at the meetings of the World Federation of Trade Unions, both in 1945 at Paris and 1946 at Moscow. Eventually the CC-clique within the KMT could not but take action against CAL and this was done in a drastic manner.

In November 1946 CAL officials were purged and a new "leadership" was imposed upon CAL from Nanking. Since that time the internal labour position of China has assumed rather tense aspects. The sympathies of the Chinese working class remain largely with the CP; the mismanagement of the country, graft and oppressive rule by district, provincial and central authorities have induced the otherwise rather lethargic Chinese labourers to voice their dissatisfaction with their incompetent government. The responsible leadership of KMT, sensing the great though passive force of organised labour, has therefore attempted especially in Shanghai to appease the more truculent labour unions. To a certain extent and for a short time these attempts were successful. The continued civil war in China cannot but cause steadily increasing great unrest among China's trade unions who may eventually emerge as a more powerful political influence in the national affairs of their country than at any time before.

HONGKONG'S CHINESE LABOUR UNIONS

Local labour conditions were influenced by developments in neighbouring Kwangtung; political pressure exercised by KMT and CP in Canton—other Chinese political factions never had any following among labour—had its reverberations in the Colony. Before the forceful elimination of CP affiliated labour unions by the right wing KMT there were two labour associations in existence in Kwangtung viz. the Federation of Labour (sponsored by KMT) and the Labour Congress (continuing the line of the pre-1927 revolutionary KMT and largely loyal to CP). Hongkong labour unions were then either affiliated to the one or to the other association in Kwangtung.

The first general strike occurred in the Colony in 1922, and the second general strike in 1925. There were some minor strikes which had little effect on the economy of Hongkong. A General Labour Union of Hongkong was established here before the war which, however, did not unite all local labour unions.

There are no exact statistics available about labour unions and their memberships both for the time before the outbreak and after the end of war. The Secretary for Chinese Affairs, as is outlined in another article in this issue ("Chinese Labour Unions in Hongkong"), has never separated when registering Chinese associations the many kinds of such associations. The position will now be rectified after the introduction of the Trade Union & Trade Disputes Ordinance, 1947.

Before the outbreak of war there were registered in Hongkong about 300 Chinese associations with a total nominal membership of 111,000. The principal groups of associations were:—28 merchants' guilds with 2,700 members; 28 craft guilds (masters and men) with 12,000 members; 4 clan association (of Chinese having the same surname) 3,000 members; 36 district associations (people coming from the same district) 40,000 members; 84 labour unions (comprising only workmen) 44,000 members; 89 clubs (rather close to labour unions, a few of benevolent, social character) 7,000 members; 31 seamen's clubs, lodging houses and so-called employment agencies (mostly labour unions of a mixed character) 2,700 members.

The largest individual associations were:—Sung Tsing General Association comprising some 20,000 members; representing a clan and its followers—feudal relationships—mostly Hakka people; having branch offices in New York, San Francisco, Honolulu and Amsterdam; probably the only Hakka association in Hongkong. The Chung Shan Commercial Association com-

prising some 4,000 members, all being natives of the Chungshan or Shekkee district. The Tung Sai Commercial Association comprising some 1,200 members, a conglomeration of masters of shops, commercial brokers, employees of European firms.

The Plasterers' Guild with 3,300 members; the Printers' Union with 3,000 members; the Cargo Coolies' Guild with 1,500 members.

Associations with a relatively large number of members were:—the associations of baggage coolies, building contractors' workers, market stall and meat coolies, bricklayers, boarding house workers, boys and amahs in European houses, boat builders, etc.

Of the clans, the Wong clan was and remains one of the strongest local associations. Members of the Waiyeung Merchants Club include some merchants and brokers but mostly workers from that district (East River). Another two district associations, the Hoiping and the Toishan Associations, include mostly seamen, factory workers etc. The Lam Clan is also largely a workers' organisation although a few merchants are members as well.

The Chinese Engineers Guild has been all along one of the most advanced labour unions in the Colony and has been distinguished by the comparatively high standard of its members who mostly are mechanics and skilled workers in the leading industries of Hongkong (mostly European owned).

The total number of workers (men and women) employed in local industries, public utilities, registered workshops etc. is estimated at less than 80,000. To this number have to be added Chinese seamen which—basing this estimate on the total number of members of the various seamen's unions—may come to between 23 to 25,000. The total number of labourers in factories and workers registered with H.K. Govt. is now slightly less than 59,000.

SOLIDARITY AMONG WORLD TRADE UNIONS

The World Federation of Trade Unions

The World Federation of Trade Union (WFTU) was founded in October 1945 in Paris; it represents practically all national trade unions, with the important exception of the conservative American Federation of Labour and some minor national labour federations, recording a membership of almost 67 million of which the Soviet trade unions account for 30 million. The American Congress of Industrial Organisation (CIO) claims to have 6 million members, the British Trade Union Congress (TUC) about 7 million. Voting in the WFTU is on a graded scale: Soviet trade unions 208 votes, CIO 110 votes, TUC 120 votes; since however, resolutions are achieved by compromise voting rights are of little importance.

Member trade unions come from more than 56 countries, both from advanced industrial and colonial and semi-colonial countries. Some members are not legally represented in their own countries as several governments suppress free trade unions, however, the WFTU also represents such suppressed and persecuted national labour unions.

The WFTU was established as the result of efforts exercised by a joint committee of American, British and Soviet trade unions, set up in 1944, with America's CIO probably the most important influence in the earlier stages of the preparatory work. The previous international labour organisation, the International Federation of Trade Unions

(IFTU), was eventually merged with the new and much more radical WFTU.

International Federation of Trade Unions

IFTU was founded in 1903 (as International Secretariat of National Trade Union Centres) and was aligned with the Second Internationale. The establishment of the International Labour Organisation was largely attributable to IFTU. Its peak membership was reached shortly after the first world war when almost 23 million members were recorded.

The split between European social democracy (2nd Internationale) and Communism (3rd Internationale) brought about the founding of a separate Red Internationale of Trade Unions (Profintern) at Moscow in 1921. Profintern later was reorganised into the All-Union Central Council of Trade Unions. During the ensuing years the Soviet trade unions attempted to gain more influence within IFTU and sought admission into IFTU. A propitious effort was made when in 1925 in London an Anglo-Soviet Joint Advisory Council was set up which aimed at the eventual reconciliation and merger of all labour unions; however, the time was then not yet ripe for this merger and the joint efforts were frustrated.

Under the impact of war, the IFTU exile as from 1940 in Transport House, London, the success of Soviet arms and production, the feeble resistance organised by IFTU against Fascism, it was the leadership of IFTU who decided to prepare for the eventual merger with the Soviet trade unions. The individual members in all countries were by that time growing more impatient with IFTU and the union of all labourers of the world in one all-comprising body was strongly demanded.

Significance of WFTU

The establishment of WFTU signified the emergence of a more radical trend in international labour; WFTU is the expression of the strengthened class consciousness of the workers, it is unconditionally based on Marxism and its scientific developments during the current century, it desires to be a political agency just as well as a labourers' union and aims at exerting its i.e. the working class' influence in national and international affairs. Since the liquidation of the 3rd Internationale and the questionable existence of the 2nd Internationale (which is expected also to be wound up) WFTU assumes an increasing international political significance. WFTU'S operation also means a much more leftist orientation of world labour, the promotion of political consciousness especially among the backward people, the de-

THE ORIGIN OF LABOUR UNIONS

Britain the Home of Trade Unions

One-third of Britain's working population belongs to a trade union. Some seven million men and women pay an annual membership fee, amounting to several million pounds, into the trade unions' coffers and in return receive million of pounds in the form of benefits and pension monies. In agreement with the Government and large industrial concerns, the trade unions regulate the wage and working conditions of employees throughout Britain. They are a tremendous power behind the lives of the British people and a factor of untold importance in shaping the social and economic structure of the nation.

terminated change from old unions (based on craft guilds with conservative leanings), to modern industrial mass-production unions.

During the almost two years of existence of WFTU all observers have noted—with satisfaction or disappointment—the high degree of unanimity among the leadership which is particularly significant with regard to the display of close cooperation between the Soviet and United States delegates. As one American observer has noted "the spirit of international collaboration and mutual accommodation" shown by WFTU, the united world organisation of labour, has nowhere else been in evidence. It follows that the international labour movement is the surest guarantee for world peace provided that no split within the ranks of the leadership will once again dim the hopes for enduring peace.

Unanimity Within WFTU

The differences of outlook and policy of trade unions in capitalist and socialist countries are today largely disappearing. Under capitalism trade unions are supposed to secure better working conditions for the workers i.e. a larger share of the product of his labour. Under socialism the workers ex hypothesi receive the whole product of their labour (less necessary deductions for machinery, services etc.). Under socialism the workers' aim is to increase production (the larger production the better labour's return) and thus the trade unions' principal interest in the enhancement of labour's productivity.

Changing conditions in post-war Europe have led to a stage when the British Trade Union Congress could state that Britain's trade union movement was concerned now with increasing the size of the real national income. In all countries now it is realised that the workers' ability, productivity and cooperation are the pre-requisites for material prosperity, and that political consciousness of workers increasingly demands more political rights and fair and adequate sharing in the products of labour.

Britain, often referred to as the home of democratic government, is also the home of the trade union movement. It was in Britain that the first workers' organisation came into being when the industrial revolution changed an agricultural country into a modern industrial state—the first of its kind in the world. Workers formed themselves into local clubs and unions for the purpose of discussing joint action for the betterment of their wage and working conditions and organising petitions to the authorities or local strikes. From impressions gained of the French Revolution, however, these workers' unions were regarded as dangerous conspirators' clubs and were forbidden.

The First Trade Union

The struggle for legality of the first, primitive trade unions lasted several decades and passed through various phases. Great parts were played in bringing about the final victory of the trade union movement by men such as Robert Owen and John Doherty. British trade unions in their present-day form, first appeared in 1851 when several of the smaller trade unions in the metal industry, formed themselves into "The Amalgamated Society of Engineers." The function of this society was the payment of sickness benefits, unemployment pay and strike money, regulation of working hours and wages and the prevention of piece-work. In the first year of its existence this trade union had 11,000 members, each of whom paid a weekly subscription of one shilling. Now it has more than a million members and disposes of funds amounting to several million pounds.

The first British trade unions comprised skilled workers, and it was not until the great strike of the London dockers in 1889 that the amalgamation of one section of the unskilled workers took place. The strike was under the leadership of men whose names have gone down in British history—Ben Tillett, Tom Mann and John Burns. The public were on the side of the strikers and sums of money poured into the strike funds from all sections of the population; £30,000 was remitted by telegraph from Australia.

The result of the dockers' victory was that the unskilled workers in all parts of Britain formed themselves into large organisations. Thus it was, thanks to the organising ability of their leader, Mr. Ernest Bevin, now Foreign Minister, that Britain's largest trade union, the "Transport and General Workers' Union" which now has over a million members, came into being. Furthermore, the "National Union of General and Municipal Workers" was formed by the amalgamation of several smaller unions; its membership today exceeds 600,000. Railwaymen, miners, textile workers and members of other trade groups formed closed organisations; other employees, too, formed their own trade unions.

Origin of Britain's Labour Party

A significant fact of the history of the workers on the European Continent is that development there of political parties, preceded the establishment of the trade unions. In Britain, this process was reversed, a fact that still determines the unique character of the British workers' movement. Up to the beginning of this century, Britain had no actual workers' party; the trade unions supported Liberal parliamentary candidates who undertook to represent the workers' interests in the House of Commons. It was not until the trade unions realised the necessity of having political representation of their own interests, which would be independent of other parties, that the Labour Party came into being. This explains the strong influence of present-day trade unions over the British Labour Party. Nearly four-fifths of the members of the Labour Party belong to trade unions.

There can be no doubt that British trade unions, partly through their indirect influence and partly through the parliamentary work of the Labour Party, have greatly contributed towards improving the working and living conditions of Britain's working population. They fulfil their social function in two ways: firstly, through the conclusion of collective agreements as regards regulation of wage and working conditions and secondly, through their wide-scale benefits system. A sound network of unemployment, sickness and accident benefits, as well as pensions and funeral grants, go a long way towards eliminating the element of insecurity from the lives of the employees. The trade unions place legal aid at the disposal of their members, organise post-schooling courses, make educational grants for gifted young people and maintain their own hospitals, convalescent homes and holiday hostels.

Trades Union Congress

The most important trade unions are represented at the Trades Union Congress which is undoubtedly one of the most powerful institutions in the world. At the present time the T.U.C. comprises 191 trade unions with a total membership of 6,653,552 men and women. The Congress meets every year, normally at the beginning of September in order to determine the policy by means of free and open debates, of the trade union movement; this "parliament," consisting of about 1,000 delegates, is one of the most important annual events in Britain's public life. Today, at a time when Britain has a Labour Government, its decisions are of vital importance.

The employers as well as the workers today are conscious of the constructive role played by the trade unions. There exists an atmosphere of mutual trust which gives even differences of opinion and wage conflicts a milder and friendlier aspect than is held possible in other countries. Naturally, all trade unions uphold a rigid principle of voluntariness—there is no room for compul-

FINANCIAL AND COMMERCIAL CONDITIONS IN CANTON

Existing foreign exchange regulations are regarded as stifling Canton as an export center for South and West China although in the past few months the export volume there has been slightly higher than Shanghai's. The Central Government's policy has been to clear all foreign exchange transactions in Shanghai, being the headquarters where quotas are allotted to different localities. This centralized policy has been deemed necessary for the sake of the whole country but Canton, one of the important export centers of China, has been affected most adversely.

Since the war Canton's foreign exchange income has depended largely on exports to Hongkong. With the rigid import regulations, that southern port is usually heavily over-bought on Hongkong dollars. As all clearing has to be done in Shanghai, there is an immense demand for CN dollar inflow to Canton from Shanghai. This is not offset by CN telegraphic transfers on Shanghai. As a result CN\$ has been quoted at a premium as much as 20 percent and mostly, as is now, at 10 percent. This phenomenon gives a 10 percent higher value to the CN\$ in Canton which helps to restrain the inflationary trend and keeps down the cost of living there with respect to Shanghai. This favourable effect, however, is shortrange and temporary.

For the man in the street it is incomprehensible why Canton should quote lower rates on foreign exchange than Shanghai. The immediate reaction is to remit foreign exchange to Shanghai, as in the case of overseas Chinese or to transport goods to Shanghai for export, as in the case of exporters in the interior.

There are several remedial measures. The first is to allow Canton to clear foreign exchange transactions locally. This will not likely be permitted by the Central Government as no exception could be made to one locality. The second is to increase the import quota or to relax import restrictions. Canton merchants are hoping that its import quota will be increased in the near future as most exporters are abiding by the new regulations surrendering all foreign exchange to the appointed banks.

The third measure is supported by the strong argument that Canton is the only one in the whole of China which needs Hongkong dollars almost exclusively. Therefore, Hongkong dollar exchange should and could be cleared in

Canton rather than in Shanghai. Financial officials from Canton are now in Shanghai to press this point strongly. Canton financial circles are hopeful that something could be done. Otherwise, merchants in the interior will divert their goods to Shanghai if more CNS can be realized that way, thus weakening Canton's position as an export center.

Overseas Remittances

Before the war, Canton received large amounts of foreign exchange other than HK dollars from overseas remittances and missionary funds. Since the war, however, overseas remittances have not been officially coming to Canton due to the more favourable open market quotations. Such funds have been sent to Hongkong for the most part and have found their way into Canton through illegal channels. Although the new foreign exchange regulations allow decidedly higher quotations to overseas Chinese, these people are watching closely to see if the Government is carrying out the rules faithfully. With the new regulations being put into practice only as from August 18 it is yet too early to see if overseas Chinese will remit once again to Canton instead of Hongkong. If they do, the Government will benefit much from it.

By virtue of its proximity to Hongkong, Canton is faced with two problems; shortage of foreign exchange other than HK dollars and smuggling. Hitherto, local exporters have surrendered certain parts of their export bills to Hongkong Exchange Control which then disposes of these amounts. The Chinese Government has been negotiating with Hongkong for a foreign exchange agreement whereby the Chinese Government would be entitled to use a portion of such foreign exchange derived from exports originating in China. This agreement is still pending and no official announcement can yet be obtained.

Smuggling

Smuggling cannot be curbed entirely in South China. In fact many people including some official quarters in Canton adopt a lenient attitude toward small scale smuggling. With many factories still closed and unemployment a problem, many people earn their living by carrying on small scale smuggling. This phenomenon doubtless will disappear when Canton is prosperous once more.

But large scale operations cannot be viewed as lightly. Export smuggling has recently been stopped to a large extent since exporters have benefited from the new open exchange regulations. Import smuggling, however, is carried on by two interested groups, besides the small operators whose living depends on smuggling; regular importers who cannot secure foreign exchange through legitimate means and organized

sory organisations within the framework of British democracy. In one of his speeches in the House of Commons, Mr. Winston Churchill thus was able to refer pertinently to the trade unions as: "Institutions which lie so near the core of our social life and progress and have proved that stability and progress can be combined."

smuggling gangs. The first groups might be stopped if and when import regulations are relaxed and import quotas are increased. It is therefore inevitable if Government wishes to collect import duties that the import quotas should be increased proportionately with the swelling of foreign exchange surrendered by exporters.

Large scale smuggling operations by profiteers and political & military personages however, is a more delicate affair. These "smugglers" are well organized and backed by people with influential connections. Whenever one case breaks they lie low to reappear after calm is restored. Several cases involving military personnel, a Chinese naval boat, the railway smuggling chain etc. created tremendous stir in Canton but only some small assistants were caught, the higher-ups always remaining untouched.

The new Customs agreement concluded between the Hongkong Government and the Chinese Government may be of some help in reducing the large volume of smuggled goods. But the long coast and boundary lines make it difficult to maintain effective border customs guards.

Banks In Canton

Canton's leading financial position of some twenty years ago is a thing of the past. At present there is only one large private financial institution, the Bank of Canton. Many large and small banks have been organized but they invariably went bankrupt sooner or later. This is fundamentally due to the characteristics of the Cantonese people who are not afraid of taking risks to the extent of taking unsound risks. Many of these banks could have been saved but for the lack of a community spirit which is much stronger among the people of other provinces than among the Cantonese. Today, Canton's financial position is even behind such formerly

backward provinces as Szechwan and Yunnan.

Industries In Kwangtung

Industries in Canton are still much behind Shanghai's industries which had before the war the advantage of foreign organization and technical assistance and which had faced keen foreign competition. Most of the industrial establishments in Kwangtung are of a small scale. Latest Government statistics of 62 more progressive hsien of Kwangtung's 103 hsien show a total of 78,509 small scale industrial establishment, employing 272,992 workers. Of this total, timber and related industries number 31,569, or 40.22 percent followed by cotton mills and weaving factories, 27,566 in all, or 35.11 percent.

Canton directly has not much to offer for exports except the large volume of foodstuff and daily necessity articles needed to supply the about 1½ million of the Chinese population in Hongkong. Much of Canton's export trade consists of produce from Southwest, West, Central and even Northwest China which is re-exported from Canton to Hongkong.

In future Canton could conceivably directly export in case of the development of a deep water harbour.

However, this harbour development plan, like a restless ghost, makes its periodic reappearance without creating much sensation any longer. Some rather ambitious but otherwise inexperienced American financial brokers have only recently mapped out grand plans for the industrial and communication modernisation of Kwangtung, Kwangsi and Hunan. The building of a modern harbour at Canton with accommodation facilities similar to Hongkong has been included into this plan. To say the least and most charitable about this plan—it is very much premature and lacks in realistic appraisal of existing conditions.

HONGKONG AVIATION FIGURES

During the first eight months of 1947 a total of over 3,000 civil aircraft landed and took off from the Colony's airport (Kaitak) which comes to a monthly average of some 380 planes. A total of 41,947 passengers arrived here or departed for abroad by civil aircraft during the period January/August; the monthly average of passengers handled at Kaitak amounts to some 5,200. Commercial imports by

civil aircraft during Jan./August 1947 amounted to 216 metric tons and exports to 176 tons, making a total of air freight of 392 tons, or about 50 tons per average month of 1947.

Following are monthly figures for civil aircraft arrivals, passengers and air freight carried for the first 8 months of 1947:—

	AIRCRAFTS			PASSENGERS		FREIGHT (in Kilograms.)	
	Arrivals	In	Out	Import	Export		
January	172	1381	991	16705	14592		
February	104	909	662	13255	15739		
March	141	1985	1127	25473	18541		
April	185	2590	2797	41777	18043		
May	216	3257	2916	50613	21149		
June	201	3202	2724	24493	31848		
July	254	4233	3770	18493	21424		
August	253	4997	4406	25206	34877		
Total	1526	22554	19393	216015	176213		

HONG KONG PUBLIC COMPANIES

Name of Stock	Authorised Capital	No. of Shares	Nominal Value	Issued Capital	No. of Shares Issued
Hong Kong & Shanghai Bank	\$20,000,000.	160,000	\$125.	\$20,000,000.	160,000
Bank of East Asia	\$50,000,000.	500,000	\$100.	\$10,000,000	100,000
Canton Insurance	\$10,000,000.	200,000	\$ 50.	\$ 2,500,000	50,000
Union Insurance	£ 2,000,000.	200,000	£ 10.	£ 810,000.	135,000
Hong Kong Fire Insurance	\$10,000,000.	200,000	\$ 50.	\$ 2,000,000.	40,000
Underwriters (Ord.)	\$ 5,000,000.)	500,000	\$ 10.	\$ 1,722,525	256,000
—do— (Founders.)	15,000.)	15,000	\$ 1.	15,000.	15,000
Douglas S.S.	\$ 1,000,000.	20,000	\$ 50.	\$ 1,000,000	20,000
Hongkong Steamboat	\$ 1,200,000.	80,000	\$ 15.	\$ 1,200,000.	80,000
Indo-China S.N. (Pref.)	£ 600,000.	120,000	£ 5.)	£ 495,890.	49,589
—do— (Defd.)	£ 600,000.	120,000	£ 5.)	£ 495,890.	49,589
Union Waterboat (Old)	\$ 500,010.	71,430	\$ 7.	\$ 500,010.	71,430
(New)					
Hong Kong & Kowloon Wharf	\$50,000,000.	1,000,000	\$ 50.	\$ 9,000,000.	180,000
Hong Kong & Whampao Dock	\$10,000,000.	1,000,000	\$ 10.	\$10,000,000.	1,000,000
China Provident	\$ 4,000,000.	800,000	\$ 5.	\$ 2,211,065.	442,213
Hong Kong & Shanghai Hotel	\$11,250,000.	1,500,000	\$ 7.50	\$ 8,954,003.	1,193,867
Hong Kong Land (Old)	\$10,000,000.	400,000	\$ 25.	\$10,000,000.	400,000
(New)					
Humphreys Estates	\$ 3,000,000.	300,000	\$ 10.	\$ 2,000,000.	200,000
Hong Kong Realty	\$ 2,000,000.	200,000	\$ 10.	\$ 2,000,000.	200,000
Chinese Estates	\$ 3,000,000.	30,500	\$100.	\$ 1,650,000.	16,500
Hong Kong Tramways	\$20,000,000.	4,000,000	\$ 5.	\$ 9,750,000.	1,950,000
Peak Trams (Old)	\$ 750,000.	75,000	\$ 10.	\$ 250,000.	25,000
(New)				\$ 250,000.	50,000
Star Ferry	\$ 1,000,000.	100,000	\$ 10.	\$ 800,000.	80,000
Yau-mat Ferry (Pref.)	\$ 1,000,000.	7,500	\$ 10.	\$ 840,000.	7,500
(Ord.)		92,500	\$ 10.	\$ 840,000.	76,500
China Light (Old)	\$25,000,000.	5,000,000	\$ 5.	\$13,194,344.	2,400,000)
—do— (New)			\$ 5.	\$13,194,344	507,172)
Hong Kong Electric	\$50,000,000.	5,000,000	\$ 10.	\$20,904,670.	2,090,467
Macao Electric	\$ 2,000,000.	200,000	\$ 10.	\$ 1,464,380.	146,438
Sandakan Light	\$ 250,000.	50,000	\$ 5.	\$ 250,000.	50,000
Hong Kong Telephone (Old)	\$ 7,500,000.	750,000	\$ 10.	\$ 6,250,000.	500,000
—do— (New)				\$ 6,250,000.	250,000
Canton Ice	\$ 200,000.	40,000	\$ 5.	\$ 200,000.	40,000
Green Island Cement	\$ 5,000,000.	500,000	\$ 10.	\$ 2,932,410.	293,241
Hong Kong Rope	\$ 2,000,000.	200,000	\$ 10.	\$ 2,000,000.	200,000
Dairy Farm	\$ 2,250,000.	300,000	\$ 7.50	\$ 2,200,012.	293,335
Watson	\$ 1,500,000.	150,000	\$ 10.	\$ 1,500,000.	150,000
Lane Crawford	\$ 750,000.	75,000	\$ 10.	\$ 750,000.	75,000
Wm. Powell	\$ 100,000.	42,000	\$ 2.	\$ 84,000.	42,000
Entertainment (Ord.)	\$ 999,800.	99,980	\$ 10.	\$ 998,390.	99,839
(Founders)	200.	20	\$ 10.	190.	19
Constructions (Old)	\$ 5,000,000.	2,500,000	\$ 2.	\$ 1,000,000.	500,000
(New)				\$ 500,000.	500,000

HONGKONG STOCK & SHARE MARKET

The bullish trend which set in at the beginning of the month continued unabated during the week under review (Sept. 8-12), prices improved daily and reached a new peak in the present trend of 153.92 as expressed by Felix M. Ellis' averages on Sept. 12 following the announcement of the settlement of the mechanics' strike. This strike which lasted 27 days and involved approx. 11,000 skilled and unskilled workers has been a depressive factor in the share market. The week's day by day share price index, compiled by Mr. Felix M. Ellis, the only available index of the local stock market, shows a net gain of 2.43, from Sept. 5: 150.85 to Sept. 12: 153.28. The price index Sept. 8 was 151.73, Sept. 9 was 152.01, Sept. 10: 152.61, Sept. 11: 153.59.

Towards the end of the week's session some decline set in but the change in sentiment was purely temporary,

due to reports of dissatisfaction of the terms of the strike settlement by a large number of dockyard workers. There is of course some labour unrest continuing and the tendency on the part of many utility and industrial workers to demand higher wages has become pronounced. A number of labour meetings are to be held and the Commissioner of Labour will no doubt have some tough conciliation work before him. However, with the mutually satisfactory settlement reached in the mechanics' strike there should be no reason to anticipate any further trouble; the upward revision of wages of a number of workers in important industrial establishments here will have to be expected.

While most stocks recovered to their pre-strike prices there were a few outstanding rises to new highs. These were mainly, Ferries to 142, Humphreys, China Lights, Cements, Dairies and Watsons.

Humphreys Estate climbed to a new high of \$33, a gain of \$7 during the week. Since 1946 they sold two properties, rehabilitated some, and it is now rumoured that a sale of another has either been consummated or is imminent to the tune of \$1,400,000. The capital of this company is only 2 million divided into 200,000 shares.

China Lights rise to a new post-war height of 21½ was due mainly to propaganda of the professional whispering type of a possible final dividend of between 75 cents and \$1. The financial year ends on 30th September, and assuming the annual meeting will be held in December as in pre-war years, no announcement is likely until November. Nevertheless, it will be interesting to see what is ultimately declared, in view of the following: (a) It is a Utility Company; (b) there are 3,000,000 shares; (c) 35 cents was paid in July as an interim dividend; (d) the 1946 carry forward was a

QUOTATIONS & DIVIDENDS

Paid Up Value	1941 Dec. 6	June 1947		July 1947		August 1947		Dividend & Bonus	
		High	Low	High	Low	High	Low	1940	1946
\$125.	\$1,445.	\$1,930	\$1,890	\$2,050.	\$1,900.	2020.	1950.	£ 5.	£ 3.
\$100.	77.	115.	106.	110.	108.	112.	107.	\$ 6.	\$ 7.
\$ 50.	250.	420.	405.	400.	380.	400.	380.	\$12.	\$12.
£ 6.	450.	810.	730.	810.	725.	810.	770.	25/-	27/6
\$ 50.	200.	320.	305.	300.	295.	300.	275.	\$11.	\$ 8.
\$ 7.	.50	3.25	2.	4.50	2.75	6.25	4.25	—	\$ 2
\$ 1.									
\$ 50.	120.	260	245.	245.	245.	245.	210.	\$ 7.50	\$15.
								(1941/46)	
\$ 15.	11.	11.	11.	11.	9.	10.	9.	—	—
£ 5.	\$ 100.	106.	101.	101.	101.	101.	101.	6%	6%
£ 5.	110.	395.	379.	379.	379.	379.	379.	—	20%
\$ 7.	6.55	27.	25.50	43.50	23.50	43.	43.	.45	2.50
						40.75	40.75		
\$ 50.	103.	265.	230.	250.	245.	250.	210.	7.	8.
\$ 10.	19.	32.	29.50	45.50	29.00	43.50	37.	1.10	—
\$ 5.	7.80	23.	22.	27.75	22.	26.	23.	.75	1.
\$ 7.50	4.25	25.75	23.50	25.75	23.75	25.25	23.	.25	1.
\$ 25.	38.15	75.	72.50	85.	74.50	83.	76.)	2.50	2.
						81.70	76.)		
\$ 10.	8.50	25.	24.25	26.	24.50	26.75	25.50	.70	1.
\$ 10.	4.30	17.	15.25	16.75	16.	17.75	15.75	.30	6.
\$100.	100.	190.	190.	190.	190.	190.	190.	13.	4.
\$ 5.	18.	25.75	23.25	27.	24.50	26.75	23.75	1.50	2.
\$ 10.	6.50	11.	10.	10.50	10.	11.	10.75	5%	—
\$ 5.	3.50	4.50	4.50	5.	4.50	5.	4.75	—	—
\$ 10.	55.	122.	117.	135.	120.	139	127.	4.50	4.
\$ 10.									
\$ 10.	25.75	34.	34.	34.	31.	31	29.	2.40	—
\$ 5.)	6.90	17.	15.	19.50	15.60	19.50	17.	10%	—
\$ 2.)	3.60	11.75	10.50	14.	11.	15.	12.	2.20	—
\$ 10.	22.25	63.25	55.25	78.	61.25	84.	72.	3.25	—
\$ 10.	18.25	24.50	24.50	22.	22	24.50	21.50	1.	—
\$ 5.	12.60	13.	13.	13.	13.	13.	12.	—	—
\$ 10.	25.75	52	48.50	51.50	42.	49.50	46.	14%	\$1.20
\$ 5.	9.50	31.	29.	36.50	29.	37.50	34.	14%	.30
\$ 5.	1.	7.25	7.25	7.25	7.25	7.25	7.25	—	—
\$ 10.	18.30	25.75	23.	34.x.r.t.	20.50	33.15	29.75	2.	—
\$ 10.	11.50	19.50	13.25	23.	17.50	21.50	19.	1.	—
\$ 7.50	19.	77.75	68.25	89.	76.50	88.	77.	1.50	4
\$ 10.	14.	57.	41.	70.	56.75	66.	57.	1.40	2.50
\$ 10.	8.	45.	40.25	56.50	40.	56.50	49	.80	5.
\$ 2.	2.40	6.	5.50	6.	6.	9.	6.	.30	—
\$ 10.	6.90	30.50	30.50	37.	30.50	37.50	36.	.70	2.
\$ 2.	1.80	7.72	7.72	7.50	7.50	7.15	6.	—	—
\$ 1.	1.	6.	6.	6.	6.	6.	5.50	—	—

deficit of \$750,000; (e) there are write offs to be made; (f) there are reserves to be set up for various contingencies, and (g) further reductions in the price of current are imminent. Under these circumstances to expect a final dividend greater than between 50 cents and 65 cents would apparently be unjustified.

Dairies & Watsons reached new highs of 94½ and 71½ respectively on improved sentiment regarding the possibilities of handsome or substantial dividends and Bonus shares.

Cements also soared to a new high of 36½, equivalent to 48½ curnights. Rumours were rife that a high dividend may be expected for the current year. Based on production, which was not resumed until May of this year, at 50% of pre-war, the rumours would appear to be without foundation. It should also be taken into consideration that production may not be increased next year, that a substantial loss was sustained by reason

of the strike resulting in a complete shut down of all operations, and that the output is sold at \$7.50 per bag and not at the fabulous fluctuating black market prices.

One hears in the market so many rumours that the sifting of them constitutes a major problem; some rumours are launched with the intention to promote the interests of one or the other share syndicate, intent to boost prices beyond a reasonable limit for the purpose of profit taking at the suitable moment; other rumours originate within the sanctum of managers and secretaries and carry much force of conviction with them, and who learns about the "shape of things to come" first is assured of reaping a nice profit.

The investing and speculating public seems to expect the early announcement of the issue of new shares by a number of companies. Hotels will probably at a later date come out with a drastic revaluation of their issued capital, Star Ferries may purchase

new launches and re-equip their piers which should result in the issue of new shares, Dairy Farms are also believed to consider the issue of new shares, and Watsons as well as Lane Crawford may follow later. The frequent issues of new shares including bonus shares have induced a feeling of pleasant anticipation in a good many shares holders but it remains to be seen whether the Directors of this or that company will really play Santa Claus.

In a bullish market like ours it is not inappropriate to remind the serious investor that the investment return has been slowly dropping during the last few months; earlier this year local shares on the average yielded about 4 to 4½%, the present return is much nearer to 3%. There are signs that the money market here is getting somewhat tight, at any rate the time of great easiness appears to be over right now. Taking the long view, which should be of course the proper policy of investors, the relatively low

return of local shares deserves serious attention by holders. The speculators however are not influenced by long term consideration; a good 50 to 60% of our share market's turnover is transacted by speculators.

The following local public companies have increased in 1947 their issued capital (in Hongkong dollars):—Bank of East Asia from 5,598,600 to 10 million; Canton Insurance from one million to 2½ million; H.K. Fire Insurance from 800,000 to 2 million; Union Waterboat from 271,691 to 500,000; H.K. & Kowloon Wharf from 4½ to 9 million; H.K. & Whampoa Dock from 4,719,760 to 10 million; H.K. Land Investment from 7½ to 10 million; Tramways from 3,250,000 to 9,750,000; H.K. Electric from 9 million to 20,904,670; Cement from 1,954,940 to 2,932,410;

The H.K. Telephone Co. is calling up the unpaid amount of the new shares so that by the end of this year the paid up capital will have been increased from 5,625,000 to 7½ million. The Directors of China Light have agreed to issue new shares at their discretion. The China Light new shares have only been paid up 40% of their face value.

Interim dividends in respect of 1947 business year: H.K. & Shanghai Banking Corp. £2; H.K. Electric \$1.70 (less 10% profits tax); China Light 35 cents on old, 14 cents on new shares.

Current new issues and calls:—H.K. Electric new issue 2 shares for every 5 old, at \$10 per share; payable Nov. 30.

H.K. & Kowloon Wharf new issue payable Dec. 31 \$50, and June 30, 1948 \$50.

H.K. Telephone second call \$2.50 payable Oct. 18, and third call \$2.50 payable Dec. 18. Current dividend payment \$1.20 and 0.30 for old and new shares respectively.

HONGKONG ELECTRIC CO. LTD.

An extraordinary meeting of shareholders was held on Sept. 11 for the purpose of increasing the Capital of the Company. The Chairman (Mr. N. O. C. Marsh) addressed the meeting as follows:—

This meeting has been called for the purpose of considering an increase in the Authorised Capital of the Company from \$18,000,000 to \$50,000,000.

Some of you will no doubt recall that the original Authorised Capital of the Company in 1889 was \$300,000. In 1899 this was increased to \$600,000. A further increase was made in 1920 to \$3,000,000 and in 1928 the Authorised Capital was increased to \$6,000,000. Subsequently, in 1940, it was increased to \$18,000,000, at which figure the Authorised Capital now stands.

As will be seen from the foregoing we have had steady increase in the Authorised Capital of the Company reflecting its growth, and it is felt that a further increase is now necessary in order to take care of any expansion

QUOTATIONS

	Sept. 9	Sept. 12	Sept. 15
H.K. & S. Bank	1990	1990	2000
Bank of East Asia	110	110	110
Canton Ins.	390	400	415
Union Ins.	800	800	790
China Underwriters	5¼	6½	8
H.K. Fire Ins.	285	290	290
Douglases	260	260	260
H.K. & M. Steamboats	10½	10½	12
Indo China (Pref.)	101	101	101
Indo China (Def.)	379	379	379
Union Waterboats	43½	43½	43½
H.K. & K. Wharves	230	240	235
H.K. Docks	43	44½	43½
China Providents	24½	26½	26
H. & S. Hotels	24¼	25	25
H.K. Lands	82	86	85
Humphreys Estates	28	33	33
H.K. Realities	17	17	17½
Chinese Estates	190	190	190
H.K. Tramways	26¼	27½	27
Peak Trams (Old)	11	11	11
Peak Trams (New)	4¼	4¼	4¼
Star Ferries	133	140	142
Yaumati Ferries	29	29	29
C. Lights (Old)	20¾	21¼	21½
C. Lights (New)	16	17	15¾
H.K. Electrics	78¾	79¾	77
Macao Electrics	24¼	24¼	24¼
Sandakan Lights	12	12	12
Telephones (Old)	50	47	48
Telephones (New)	40½	37	37
Canton Ices	7¼	7¼	7¼
Cements	34	36	36¼
H.K. Ropes	19.10	21½	21¼
Dairy Farms	89	95	92½
Watsons	70	71	69
Lane, Crawfords	51	54	54
Wm. Powell, Ltd.	9	9	9
H.K. Constructions (Old)	7	7	7
H.K. Constructions (New)	5	5	5

during the next decade. It is for this reason that the figure of \$50,000,000 has been agreed upon by your Board.

In 1940 it was considered prudent to increase the Company's generating capacity to finance which an issue was made in 1941 at par. For various reasons which would appear obvious it was decided not to make a purchase of plant at that time but to keep the money invested in Britain until such time as more normal conditions prevailed—a wise precaution. This plant, delivery of which is expected towards the end of the year, will only take care of part replacement of our low pressure side and the increased load that was then anticipated.

With the occupation of the Colony and its resultant non-maintenance and removal of plant, further replacements are imperative. It is also essential to lay new cables to the centre of the city to meet the increased demand for light and power. It has been decided that the time has

arrived when our high tension distribution voltage must be raised in order to reduce our transmission losses and minimise the cost of copper. Future distribution from the North Point Generating Station to the city will be raised from 6,600 volts to 22,000 volts.

In order to finance the purchase of new plant and distribution equipment, it is the intention of your Board to issue 600,000 shares at par in the proportion of two shares for every five held on September 22 of this year, such shares to rank for dividend from October 1 1947.

Resolution:—That the Authorised Capital of the Company be increased from its present Capital of \$18,000,000 divided into 1,800,000 shares of \$10 each (of which 1,500,000 shares have been issued) to \$50,000,000 by the creation of 3,200,000 additional shares of the nominal value of \$10 each and that such additional shares shall rank in all respects pari passu with the original Capital of the Company.

EXCHANGE & FINANCIAL MARKETS

US\$ TRANSACTIONS

American dollar transactions in the unofficial market were last week assuming considerable proportions with a firm tendency towards the close. Demand for T.T. New York was accumulating and pushed the rate up to 575 but most business last week was done at around 555 to 560 per US\$100. Some larger buyers from Shanghai were in the market, merchant demand was rather brisk and gold importers (in Macao) settled much of their exchange here.

On the other hand supply was reduced on account of less overseas Chinese remittances having been offered for sale here while exports of China produce to the U.S. have declined during recent weeks. The gold importers were the biggest single factor which brought up the rate.

The local cross rate moved between US\$2.82 to 2.88 against a New York market rate of about 2.95. The current difference in the local and New York rates for sterling on the open market is large enough to encourage arbitrage operations. For some time to come the local unofficial T.T. market will quote sterling lower than New York. Our sources of supply seem to be on the decrease while demand for dollars in New York is as keen as ever. There may be further substantial imports of gold into Macao which are financed by Hongkong banks and merchants, causing further depletion of funds in the U.S.; then there are Shanghai and Near Eastern capital transfers of one sort or another which will continue to be put through here at least to a considerable extent for our rather limited US\$ resources; and ordinary merchant demand for U.S. luxury and non-essential goods will exert additional pressure.

The local T.T. market by virtue of its unofficial nature is sometime exploited by operators to the detriment of clients; while rates are clearly established by the principal brokers according to the technical position of the day there are some irresponsible agents who mislead unsuspecting clients by quoting different rates. During the hectic days of the last and the previous week it was simple for such agents to make "cuts" on the rate as prices fluctuated much day after day.

Furthermore there are some sellers of T.T. New York who fail to deliver on time, and it has occurred in one

instance that a seller has paid US\$ in New York about three months after he sold in Hongkong (and received payment in HK\$). Considerable and unexplained delays in payment of T.T. have repeatedly upset brokers and buyers.

US drafts and notes were in good demand at firm rates. Local importers are concerned about the high bank note rate as imports from the U.S. thus become more expensive in local currency. The margin between the T.T. and note price is recently only about 20 points; an importer of American luxury goods or commodities destined for other Far Eastern consumers when opening an L/C with a local exchange association bank is required to deposit 10% over the import bill in US notes, thus for US\$100 worth of American goods (provided of course that no official exchange has been allotted by H.K. Exchange Control) a local importer will pay US\$110 in notes (or drafts) to a bank who buy from him these notes at the official rate (US\$25.75 per HK\$100 against a current unofficial bank note rate of US\$18 per HK\$100). On account of the 10% additional US\$ sale to the bank the importer has to calculate with an about 3% higher US\$ rate than is actually quoted.

In case of T.T. and note prices being only some 4 to 5% apart as at present an importer of American luxury goods may often feel inclined to avail himself of the services of the local T.T. brokers. In consequence exchange association banks are losing some business, the Exchange Control earns less US\$ and the T.T. rate is liable to firm up. However, a few larger import transactions may balance this position by widening the margin sufficiently so as to induce again prospective importers to cover their exchange on the local bank note market.

Some importers, rather unwisely, suggest that the Exchange Control should cancel the stipulation of the 10% additional deposit but they are overlooking the possibility that in such case increased merchant demand for notes with subsequent rise in prices would make up quickly for the saving of about 3% on the part of the importers.

Last week's highest and lowest rates: T.T. 575-540; drafts 557-533; notes 552-533.

GOLD MARKETS

The dumping of gold in Macao caused the collapse of the local gold market which witnessed a drop of over 10% in the gold cross rate; while T.T. New York advanced in terms of HS\$, gold prices went down. By the end of last week the cross rate was only around US\$51 to 51½ per troy ounce. The week's highest and lowest prices in HK\$ per tael were respectively 380 and 353½. Demand in China was strongly reduced and prices slumped there as well.

Gold imports by flying boat into Macao last Friday were estimated at about 63,000 ounces (63 boxes of 1,000 ozs each). This stock and some more to come was held up in Manila for a short while for "investigation" by Philippine authorities; actually the Philippine Govt never wanted to interfere in gold traffic but in deference to the wishes expressed by the International Monetary Fund the legality of and methods applied in transit trade in gold was "studied" in Manila which resulted in a delay in airlifting of gold from America to Macao.

Most of the gold which arrived in Macao early in August and on Sept. 12 has been bought by Chinese bankers, bullion brokers and general merchants for eventual exportation into China; some lots were also exported by plane to Burma.

Upon arrival of gold in Macao the police there escorts the precious transports to the Tai Fung Bank, the leading partner of which is Mr Fu Tak-yam (who operates the gambling monopoly of Macao with other executives in the form of a syndicate). The Tai Fung Bank has stored and currently holds many millions worth of gold bullion. The reported gold imports of last week correspond to a value of about HK\$ 18 million.

CHINESE DOLLAR EXCHANGE

The local CN\$ rates were declining and the tendency was weak. The Shanghai official open rate was changed during the week to CN\$41.-000 per US\$ (banks' selling rate), CN\$123,000 per £ but at the beginning of the current week selling rates were back at the previous level viz.: CN\$ 40,500 for US\$, CN\$119,500 for £, CN\$7,450 for H.K. dollar. The China open market sterling cross rate last week was US\$3. and came down this week to US\$2.95.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

Sert.	Gold per Tael		CN\$ (per one million)						(per 100)						
			Spot		Forward		S'hai Canton		US\$. (per 100)						
	High	Low	High	Low	High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder	Paht	Pound Note
8	378½	365½	138	137	137½	135	128	137	540	540	545	14	34	25¼	14¼
9	380	366½	138	137½	137	133	127	136	543	544	558	14¼	33½	25¼	14¼
10	369	362	137½	137	137½	136	125	133	536	548	558	14¾	33½	25¼	13¾
11	365	353½	136½	136	136½	136	124	130	547	547	563	14¾	33¼	25¼	13¾
12	360½	353½	136½	135½	134	129	122	130	546	545	562	14	33¼	24½	14¼
13	363	356½	135	131	137½	129	122	127	550	557	573	14	32¾	24	14¼

HONGKONG SHIPPING REPORT

Shanghai's black market, in tune with the generally much higher commodity prices, quoted US\$ as high as CN\$48,000 later came down to 46,000. On the average the open exchange rate of the Foreign Exchange Equalisation Fund Committee was about 15% lower than the black market rate.

The FEEFC establishes in Shanghai every morning the open market rate which is largely influenced by the decision of the Central Bank of China. There is currently too large a gap between the black and the open rate which may only be a temporary matter but it is indicative of a low exchange rate policy on the part of FEEFC. Whether this policy will bring results is doubtful. One of the principal obstacles confronting FEEFC is the almost general lack of public confidence in any official actions and the operators of the Exchange Fund Committee will have to be careful to establish its bona fides with the merchant community. If the open market rate is to be managed in a judicious way and in conformity with the economic laws of supply and demand there should be every justification for taking an optimistic view. The new open exchange rate era has just begun and completed four weeks of operation. It is still too early to judge its merits and demerits.

In the month of August altogether 923 ocean and river ships totalling 1,433,797 tons arrived here and left for abroad, showing an improvement of almost 10 percent in the aggregate tonnage over the previous month. Of the total tonnage, ocean-going vessels accounted for 1,244,819 tons and river boats for 188,978 tons.

Owing to the general mechanics' strike which caused the stoppage of railway communications between here and Canton throughout the latter half of August, river navigation returns were considerably enlarged during the period as shipping was called on to ease transportation between here and the Kwangtung Provincial capital. As a result the total tonnage of river boats recorded in the month showed an increase of 24 percent over July figures. The British flag was responsible for 79.3 percent, or 149,857 tons, and the Chinese flag for 20.7 percent, or 39,121 tons.

The aggregate tonnage of ocean-going vessels which entered and left during August was 8 percent more than that recorded in the previous month. Topping the list, British vessels accounted for 41 percent, followed by U.S. ships with 24 percent, Dutch steamers with 8.5 percent, Chinese boats with 6.3 percent and Norwegian

ships with 5.8 percent, while the rest of 14.4 percent were accounted for by other flags. The total European shipping, excluding British and U.S.S.R. flags, claimed 294,260 tons, or 24 percent of the aggregate ocean-going vessels' tonnage recorded in the month under review.

Taking ocean and river tonnages together, British ships also ranked first in August with 663,772 tons, or 46.3 percent. U.S. vessels came out second with 300,750 tons, or 21 percent, followed by Chinese steamers with 117,019 tons, or 8.2 percent, Dutch ships with 106,242 tons, or 7.4 percent, and Norwegian boats with 72,898 tons, or 5.1 percent. Ships of other nations accounted for the remaining 12 percent, or 173,116 tons.

A total of 11,040 tons of bunker coal and 8,579½ tons of bunker oil were taken out of the Colony by ocean and river ships, the former absorbing 9,153 tons of coal and 7,338½ tons of oil and the latter 1,887 tons of coal and 1,241 tons of oil.

During the month 177,964 tons (deadweight) of commercial cargo (excluding Govt. and H. M. Forces stores) were discharged from ocean-going steamers and 62,307 tons were loaded on ocean ships for abroad. Compared with July, commercial cargo taken into Hongkong by ocean vessels in August decreased by almost 15 percent and that loaded for abroad increased by about 6 percent.

The 923 ocean and river steamers carried in & out of Hongkong in August altogether 109,485 passengers, or 20,569 persons more than in the previous month. The arrivals in August were 28,435 by river boats and 27,861 by ocean vessels, while the departures were 32,176 by river craft and 212,013 by ocean ships.

JUNKS & STEAM LAUNCHES

Recording a decrease of 32,711 tons or 14 percent when compared with the previous month, the total tonnage of junks and steam launches entered from and left for South China river ports and Macao during August was 200,152 tons. These craft, all under 60 tons, brought here and left for neighbouring towns with 34,773 tons of commercial cargo in August, or a drop of 12,126½ tons (26 percent) against July.

When compared with the regular river navigation by large and scheduled steamers for the same period, the aggregated tonnage of junks and steam launches in August was 11,174 tons, or six percent higher. Junks and launches carried 18,691 tons more cargo than regular river boats in August.

In August, 1,409 passengers arrived here and 3,349 left aboard junks and launches for various South China ports and Macao.

HONGKONG SHIPPING REPORT
ARRIVALS FOR THE MONTH OF AUGUST, 1947

	Ocean		Steamers		River		Total		Cargo		Passengers	
	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage	Steamers	River	Steamers	Ocean
British	97	251,310	142	75,393	239	326,703	4,307	25,280	13,294	38,574		
American	26	150,375	—	—	26	150,375	—	—	4,349	4,349		
Chinese	42	38,764	96	19,350	138	58,114	1,562	3,155	1,456	4,611		
Danish	5	21,681	—	—	5	21,681	—	—	—	21		
Dutch	10	50,009	—	—	10	50,009	—	—	6,891	6,891		
French	1	1,653	—	—	1	1,653	—	—	—	2		
Greek	2	8,760	—	—	2	8,760	—	—	—	—		
Norwegian	16	34,836	—	—	16	34,836	—	—	1,559	1,559		
Panamanian	5	9,366	—	—	5	9,366	—	—	—	—		
Portuguese	1	438	—	—	1	438	—	—	—	—		
U.S.S.R.	3	16,838	—	—	3	16,838	—	—	—	—		
Swedish	5	15,821	—	—	5	15,821	—	—	—	6		
Philippine	6	12,160	—	—	6	12,160	—	—	283	283		

Total Foreign ...	122	360,701	96	19,350	218	380,051	1,562	3,155	14,567	17,722		
Total	219	612,011	238	94,743	457	706,754	5,869	28,435	27,861	56,296		

DEPARTURES FOR THE MONTH OF AUGUST, 1947

British	101	262,605	143	74,464	244	337,069	3,868	29,690	8,298	37,988		
American	26	150,375	—	—	26	150,375	—	—	2,514	2,514		
Chinese	43	39,134	98	19,771	141	58,903	6,345	2,486	1,876	4,362		
Danish	7	29,630	—	—	7	29,630	—	—	—	23		
Dutch	11	56,233	—	—	11	56,233	—	—	5,637	5,637		
Greek	2	8,760	—	—	2	8,760	—	—	—	—		
Norwegian	18	38,062	—	—	18	38,062	—	—	2,506	2,506		
Panamanian	2	2,157	—	—	2	2,157	—	—	9	9		
Philippine	6	12,160	—	—	6	12,160	—	—	145	145		
Portuguese	1	438	—	—	1	438	—	—	—	—		
U.S.S.R.	3	16,838	—	—	3	16,838	—	—	—	—		
Swedish	5	16,416	—	—	5	16,416	—	—	—	5		

Total Foreign ...	124	370,203	98	19,771	222	389,974	6,345	2,486	12,715	15,201		
Total	225	632,808	241	94,835	466	727,043	10,213	32,176	21,013	53,189		

COMMERCIAL MARKETS

BUSINESS IN TUNG (WOOD) OIL & OTHER VEGETABLE OILS

The European tung oil markets are no longer in a receptive mood and very little business has been put through during the last few weeks. Like in the U.S. where ample stocks said to last for about 9 months' domestic consumption are depressing the market, potential buyers in the U.K., France, Holland, Sweden etc. are holding off not only in expectation of lower prices but influenced by the more than adequate stock of tung oil on hand. Local and China exports of tung oil may accordingly experience a comparatively lean period until either export prices are reduced so as to induce further stocking up abroad or industrial consumption will have taken off the markets sufficient quantities.

Before the introduction of an open official exchange market in China (Aug. 18) tung oil quoted as high as 25 to 26 US cents per pound, a price which it had not reached for many months past. However, the world market reaction after Aug. 18 was strongly depressing the price until last week only about 22 US cents were offered and paid. The first part of September has seen a lowest price of 21½ US cents per pound, c & f New York, for oil in bulk. The local native market wholesale price last week was around \$140 per picul, and ex godown or f.a.s. Hongkong around \$150 were paid. Some business with Europe was done at £185 to 190 per metric ton, cif European ports.

Arrivals of tung oil in Shanghai from the interior are plentiful and

current stocks there are around 3,000 tons. Local stocks are scant but there is a big reservoir in Canton and given the right price there should be available here any quantity required.

However, in view of the disadvantage at which local exporters of tung oil operate compared with Shanghai exporters, not much additional business can be expected to come here; in fact, a fair amount of tung oil which used to be shipped here prior to Aug. 18, for the purpose of selling the oil here against HK or US dollars, is now diverted or re-diverted to Shanghai. The open US\$ exchange rate of Shanghai assures the tung oil exporter of a rate which is about the same as the local unofficial rate—although at times the local rate is more advantageous than Shanghai's—while in Hongkong exporters of tung oil are required under the Export Control Order to sell 25% of their export bills to the Exchange Control (through the exchange association banks); since the current difference between the official and unofficial exchange rate for US\$ is about 40% the local exporter of tung oil has, as it were, to take a loss of about 8%. (From every US\$100 worth of tung oil export bills the Exchange Control is buying US\$25 at the official rate which means an exchange "loss" for the exporter of about HK\$40 per US\$100 transaction).

Last week's business in Shanghai was done on the basis of 22 US cents c & f New York while local business could only be put through at ¼ cent plus. It is logical that exports of tung oil will go by preference to such ports where a better price i.e. a more favourable exchange rate is obtainable.

Hongkong appears to be thus losing some business if the export of tung oil remains controlled as far as the surrender of 25% of export bills is concerned. As we have already pointed out immediately after the introduction of an open market exchange rate in China (cf. our issue of Aug. 20, p. 299) the question of decontrolling tung oil deserves the attention of the Exchange Control. Hongkong's entrepot trade traditionally receives priority treatment and the present position requires a readjustment. Of course the most important question is the balancing of our Exchange Control's inward and outward payments in hard currencies; provided that an adequate amount of US\$ is obtained from other sources tung oil export bills may be exempted from the provisions of the Export Control Order, 1947.

As the Exchange Control has not yet made public the results of its operation, and may not be in a position to do that for some time to come, one is left to surmise that current US\$ earnings are sufficient

to meet the Colony's requirements for essential imports and services, and may conclude—probably with some justified optimism—that the tung oil decontrol could be effected soon. There are other commodities and produce which could be placed instead on the schedule of the Export Control Order which would yield an amount in US\$ commensurate with additional or emergency requirements of the Exchange Control.

It must be admitted, however, that even with exports of tung oil under exchange control many Chinese private and semi-official interests will still continue bringing oil to Hongkong, apart from that quantity which for geographical reasons always and regularly is shipped from South China to Hongkong. Such Chinese interests desire to obtain US\$ or £ for their exports and not Chinese money which is the only permissible procedure in Shanghai; for whatever reasons (speculation in exchange, investments abroad, hedging against inflation in China, etc.) quite a few Chinese tung oil exporters would ignore the slight advantage in price accruing from shipments through Shanghai instead of through Hongkong. If Shanghai tung oil exporters, after having obtained Chinese money for their US\$ export bills from the appointed banks, prefer to re-convert the steadily more inflated CN\$ into foreign exchange they would have to resort to the black market of Shanghai where the US\$ quotes regularly higher than on the open market (recently between 5 to 15% premium over open market).

Tung oil exports have been paid for in US\$ even when shipped to European countries including the U.K. although some business was also transacted in sterling. Only during recent weeks more exports from here to some European customers, usually government agencies, were agreed to be paid in sterling. The previous almost general practice of stipulating payment in US\$ for exports from the British Colony of Hongkong to sterling area and soft currency countries contributed though in a very small way to the increasing hardening of US\$.

RAPESEED OIL EXPORTS

This edible oil, a substitute for olive oil if properly refined in Europe or the U.S., has become the most conspicuous export article of Hongkong; during the last few months rape oil exports exceeded in volume tung oil exports and the prospects for a further increase, both absolute and relative to tung oil, seem to be assured. While the 1947 export average of tung oil has been between 2,000 to 3,000 tons per month, with recently a distinct reduction in volume observed, the ex-

Arrivals

	Tonnage	Tonnage of Cargo
Junks	95,879	20,419
Launches	3,883	112
Total	99,762	20,531

Departures

	Tonnage	Tonnage of Cargo
Junks	96,405	14,172
Launches	3,985	70
Total	100,390	14,242

ports of rapeseed oil during June to August were around 10,000 tons and new contracts since beginning of Sept. come up to 4,000 tons.

The local Imports & Exports Dept. statistics do not list rape oil under a separate head (lumping a number of vegetable oils under the category "other wise not enumerated") as in prewar years and also in 1946 and the earlier part of this year exports of this oil were so small as not to justify its individual listing. Through the enterprise and commercial alertness of some Chinese merchants here rape oil business was only recently promoted and has been developed into one of the leading export propositions of Hongkong. The same oil merchants are experimenting since several months with the marketing of Chinese olive oil in Europe and America and it seems that eventually they will be successful as there is a large demand abroad for edible oils.

The June/August exports were shipped to Holland (abt. 2,500 tons), France (3,500 to 4,000 t), Switzerland (about 4,000 tons), Belgium (several hundred tons) and rape oil currently on order will go to the U.K. (1,000 tons), France (abt. 1,500 tons), Switzerland (500 t) and other countries. The current local ex godown price is \$160 per picul, and around £175 per metric ton, fob European ports, have been paid in the majority of shipments.

While previously payment in US\$ was stipulated, recent exports have been transacted in sterling.

The Chinese Govt has, in an ill-advised move, prohibited many edible vegetable oils from exportation; while this export embargo may have been motivated by official concern about ensuring of sufficient amounts of edible oil for the masses, it must be emphasised that most Chinese vegetable oil as exported from China are not refined and therefore unfit and even dangerous for human consumption; and furthermore there is no dearth in edible oils in China while there certainly remains at least in large areas in the interior an acute shortage in rice, wheat flour and other cereals. The Chinese Govt should encourage the export of crude edible vegetable oils in order to secure abroad more foreign exchange with which more cereals could be purchased.

Thus rapeseed and several other edible oils have to be transported out of China without official authorisation. Apart from a few private traders the partly Chinese Govt owned China Vegetable Oil Corp. (CVOC) is largely interested in the exportation of edible vegetable oils from the Colony.

Some merchants opine that the embargo on crude edible oil may have been motivated less by considerations for the preservation of stocks in China but a marketing policy on behalf of interested circles. The export prohibition has helped to bring up prices of Chinese edible oils (tea, rape, peanut etc.) in foreign markets.

EXPORT CONTROL ORDER, 1947

With effect from Sept. 15 the export of pepper has become controlled as far as the surrender of 25% of the export bill is concerned. At present the following are export controlled: tung oil, raw rubber, tin, pepper.

RESERVED COMMODITIES (RE-EXPORT) ORDER, 1947

With effect from Sept. 13 the importers of wheat flour, sugar raw or refined (except sugar of Chinese origin) have to notify the Director of Supplies, Trade & Industry Dept. as to imported quantity, country of origin, carrying ship and date of arrival. The Order was issued on Sept. 10 and provides that no person shall, other than in accordance with the written authority (an export licence for instance) of the Director of Supplies, Trade and Industry, take or give delivery of wheat flour and sugar, part with the possession, custody and control of them or dispose of or deal with the same except in accordance with written authority. Provided always that it shall be competent without any written authority for the owners or agents of any vessel by which such goods shall be imported into the Colony to give delivery of the same and for delivery to be taken for the purpose of storage in the godowns of Hong Kong & Kowloon Wharf & Godown Co., Ltd., Holts Wharf and China Provident Loan & Mortgage Co., Ltd.

WOLFRAM ORE TRADE

The much publicised smuggling of wolfram ore from South China into Hongkong and Macao has brought a high official of the Chinese National Resources Commission (NRC) from Nanking to Canton in August to carry out thorough investigations into the irregularities observed in this trade. Wolfram like antimony are under monopoly control of NRC. The official, Mr C. H. Wu, Deputy Director of the Metal Mining Administration of NRC, remained in Canton for almost three weeks during which period he summoned responsible members of the NRC's purchasing offices at various wolfram ore producing centres in Kwangtung for discussions, and conferred with the Canton Customs and the President's Canton Headquarters. After completing his investigations, Mr Wu came to Hongkong last week and remained here for one day after which he flew to Nanking to report the findings of his investigations to the NRC.

In an interview with the Far Eastern Economic Review during his one day stay in the Colony, Mr Wu said that he could not find concrete evidence concerning the reported irregularities of members of the NRC's purchasing offices in Kwangtung; he had, however, dismissed a number of NRC employees in Kwangtung due to their incompetency. Furthermore he had ordered the abolition of issuing permits by NRC's purchasing offices to

appointed merchants for the collection of wolfram ore from the producing centres for the Commission. This step was taken to prevent appointed merchants from using the name of the NRC when dealing with smugglers. Mr Wu stated that he would recommend to his Commission that official purchasing prices for wolfram ore should be considerably increased.

The present local market price of wolfram ore of 65% is around \$400 to \$420, having jumped up about \$30-50 per picul compared with the price of \$370 at the end of August. The official purchasing price of the NRC in China still remains at CN\$12 million per ton, or little over HK\$100 per picul computed at the rate of CN\$7,000 to HK\$1.

Since the middle of August, Hongkong has been amply provided with Korean wolfram. There has been little Chinese wolfram arriving here from South China either through the NRC or through organised and individual smugglers. Although the price of Korean ore is cheaper than the Chinese ore, its quality is below the standard rate. As a result many local traders prefer to wait for the arrival of the Chinese mineral instead of purchasing outright the Korean ore at a cheaper price.

At least 600 tons of Korean wolfram ore have thus far arrived here from South Korea direct or via Macao. The local Soviet trade organisation is not interested in Korean wolfram which is available in large quantities in Northern (USSR controlled) Korea from where some lots are usually smuggled into US-controlled South Korea.

MARKET QUOTATIONS:

China Produce Quotations in New York:—Last week's average prices in New York were (per pound, in U.S. dollars):—Cassia oil 3.10 to 3.25; Aniseed oil 0.70 to 0.85; Tung oil, in drums, fob N'York 0.22 to 0.23; wolfram ore 0.31 to 0.32; Tin 0.80; Antimony 0.33; Sandalwood oil 13.50 rom.; Hankow bristles 3.20 nom.; Chungking bristles 2 to 2.05; Shanghai bristles 1.80; Tientsin short 55's 4.20; Tientsin regular bristles 55's 6.90.

Other New York quotations of last week (per pound in US cents):—Rubber futures Sept. 16.40 nom.; Oct. 16.35; Nov. 16.32; Dec. 16.25.

London rubber futures Oct. 9.5/8 bid.

Black pepper futures per lb. in US cents fob New York: Sept. 40, Oct. 41, Dec. 36.

Hongkong export produce quotations (in HK dollars per picul of 133.1/3 lbs):—

Vegetable oils: tea 195; rape 160, sesame 265, aniseed 260, peanut 210, tung oil 142, Cassia oil 950.

JAPANESE ECONOMIC REPORTS PROGRESS OF TRADING WITH JAPAN

Foreign trade with Japan is supervised by Foreign Trade Division, Economic & Scientific Section, SCAP, in cooperation with the Japanese Government's Board of Trade (Boeki Cho). Private trade representatives are now negotiating individually with Japanese traders and Boeki Cho in consultation with SCAP's Foreign Trade Division. Boeki Cho is in all cases the signatory to commercial contracts and issues export licences required in the case of each agreement, subject to validation by SCAP.

Four categories of foreign traders and representatives are now in Japan: (1) private trade representatives who are engaged in buying and selling, the temporary quota of whom has been set at 400 but is expected soon to be increased, (2) Services representatives like shipping, insurance, banking firms etc. whose overall quota has not been announced yet; it is estimated that some 150 services representatives are now in Japan, (3) Investment representatives; although a number of such representatives are to be found among private trade representatives there is as yet no official acknowledgment of the temporary number of financiers, bankers etc. who are to be admitted under this category, (4) Government trade representatives; officials attached to Allied Missions in Tokyo and government agents dispatched for specific commercial negotiations who are engaged in govt-to-govt trading; the exact number has not been disclosed in Tokyo as such representatives are not coming under quota.

Prices are quoted to private traders in US dollars and are determined on the basis of current world market prices, prices established in principal international markets, prewar prices in principal foreign currencies adjusted to altered production costs and other factors or comparisons with prices of similar merchandise and substitute items.

Private traders are required to make payment for Japanese products in acceptable foreign currencies such as US dollars, freely convertible currency as announced by the United States Treasury, or the currency of nations with which there exist relevant convertibility agreements. Usual forms of commercial letter of credit are honoured, proceeds from sales are credited to trust funds accounts designated by SCAP.

To facilitate trading, Boeki Cho has arranged for merchandise showrooms in Osaka and Tokyo and prepared trade directories and other informational literature.

Both private trade representatives and the services representatives are required to confine their activities strictly to the commercial functions for which they were licensed to enter Japan.

SCAP does not accept responsibility for, nor guarantee, any Japanese merchandise. However, disputes over claims, to be filed with Boeki Cho within 30 days after receipt of goods at the port of destination, will be decided by SCAI.

Pending the establishment of private shipping agencies, the United States Maritime Commission will perform port agent functions, such as quoting rates, offering shipping and assisting in related technical matters.

Limited insurance facilities are available in Japan. It is however advisable that business men obtain blanket insurance policies from their home countries until foreign insurance firms have had an opportunity to establish a full line of service.

The business men, who have been selected by their respective nations within the national quotas established by the Inter Allied Trade Board and approved by SCAP had to arrange transportation to and from Japan privately. In emergencies the United States Army provides army transport from Japan to the United States at established rates when space is available.

Boeki Cho maintain special hotels for business men at Tokyo, Nagoya, Kyoto and Osaka at a flat rate of ten United States dollars a day for lodging and meals. No choice of accommodations is assured. Personal services, including bar, laundry and sales facilities are provided at the hotels on a pay-as-you-go basis. Limited facilities for guests have been similarly provided. The flat rate will cover accommodation provided by Boeki Cho for side trips outside the special hotel areas.

Authorized currency for personal use by the foreign private business men in Japan is a special type payment certificate. Business men are permitted to purchase this currency only for United States dollars or dollars instrument pending designation of other currencies as being freely convertible to dollars. It is necessary that sufficient quantities of these dollars or dollars instruments should be carried by traders to cover personal expenses while in Japan.

The private business men are also able to purchase yen for their personal use at designated exchange centres for any foreign currency registered with the International Monetary Fund. The exchange rates will be determined by the officially registered par ratio to the dollar and the military exchange rate between the yen and the dollar.

All currency which traders do not immediately convert into special type payment certificates has to be deposited for safe keeping within 48 hours after their arrival in Japan. Reconversion of special type payment certificates upon departure has been limited to

dollars 150 cash (or the equivalent in foreign currencies). Amounts in excess of dollars 150 will be reconverted into instruments not negotiable in Japan. Yen reconversions are not permitted.

International mail service and Japanese domestic communications services, including mail, telegraph and telephone service, are available to private traders at yen rates. International air mail service will be resumed shortly and arrangements for permitting international transactional mail are being made. Use of Allied military postal facilities is not permitted.

Overseas commercial radio service is available, with payment authorized in special type payment certificates or yen, according to the destination of the communication.

While in Japan business men are permitted to travel on occupational trains with orders issued by SCAP. Fares have to be paid with special type payment certificates. Regularly scheduled occupation buses may also be used by business men. The Japanese Government's Boeki Cho provide a taxi service at dollar rates on a pay-as-you-go basis. Otherwise, business men may make their own transport arrangements.

Medical service is available to business men on a yen basis at the international Catholic hospitals in Tokyo, Yokohama, Kobe and Osaka. In emergencies United States army facilities may be used when available. Payment for army treatment will be at established dollar rates.

Business men have the same legal status as nationals of the same country who are not connected with the occupation and are subject to Japanese criminal law and administration under occupation procedures.

Occupation "off limits" restrictions have been minimised so as to permit maximum freedom of movement of business men consistent with general welfare and essential security.

JAPANESE EXPORTS

All Japanese exports fall under two schedules, A and B. Schedule A commodities are available in fairly adequate quantities for foreign traders' requirements. In all goods more or less large stocks are currently held in Japan. The SCAP and Boeki Cho requested production of goods under Schedule A should guarantee fair sized exports for the future.

Commodities and capital goods under Schedule B are in limited production which are in the main restricted from private trading and reserved for govt-to-govt trading. However, as production is speeded up several items of Schedule B are expected to be transferred to Schedule A. Raw silk has only recently been freed from official trading and is now available for private traders.

POLITICAL DEVELOPMENTS IN THE NETHER LANDS INDIES

As regards Japanese commodity imports into sterling area countries it must be emphasised that such imports are treated as costing U.S. dollars and that the same stringent economy is exercised, particularly in the United Kingdom, as in the case of imports from the U.S.A. or any other hard currency country.

Following are the revised Schedules A and B:—

Schedule A:

Aquatic products; Bamboo products; Bicycles; Ceramics and China-ware; Chemicals and Pharmaceuticals; Cosmetics; Electric Supplies and Materials; Fish and Fish Products; Food and Beverages; Glassware; Hardware; Health and Sanitation Supplies; Household Goods; Industrial Belting and Hoses; Laboratory Instruments; Leather Goods; Light Bulbs; Linen Goods; Measuring and Testing Equipment; Meters and Gauges; Notions and Novelties; Office Supplies and Equipment; Paper and Paper products; Pearls; Furs; Rayon Fabrics and Finished Goods; Rubber and Rubber Products; Scales; Silk Fabrics; Sporting Goods and Musical Instruments; Surgical and Dental Instruments; Wool Yarn Goods and Finished Goods; Raw Silk.

Schedule B:

1. Communications Equipment: Public address systems; Radio transmitters and receivers; Telegraphic equipment; Telephone equipment.
2. Cotton Textiles (and Rugs).
3. Electrical Equipment, Miscellaneous: Electric motors; Generators; Mercury arc rectifiers.
4. Filament Rayon Yarn.
5. Engines (Internal Combustion): Diesel; Gasoline; Kerosene.
6. Hemp Articles; Rope; Twine; Fish nets.
7. Linen and Ramie Products: Cordage; Twines; Fish nets.
8. Lumber and Construction Material: Mining timber; Railway sleepers; Telephone poles; Oak lumber; Oak plywood; Special plywoods.
9. Machinery: (a) Agricultural, Power rice hullers; Power threshing machines; Rice polishing machines. (b) Sawmill, Band scroll mill; Planers. (c) Surfacing and veneer, Veneer rotary lathes; Scrapers; Double-cut saws; Veneer clippers. (d) Textile, Looms (cotton, rayon, silk, linen), Spindles. (e) Miscellaneous, Centrifugal pumps (large sizes), Riveting hammers.
10. Mining Equipment: Blowers and compressors; Coal tubs; Platform weighing bridges; Rock drills; Safety lamps.
11. Miscellaneous Equipment: Storage batteries; Wooden barges; Fishing boats; Dredgers; Locomotives—steam, electric, diesel.
12. Power Plant Equipment: Electrical power cable; Hydro-electric generators; Turbo-electric generators.
13. Printing Presses.
14. Rolling Stock: Freight cars; Mine cars; Trolleys.
15. Tea (only 1947 crop).
16. Whale Oil.

Three centuries of trade, negotiation and conquest enabled the Dutch to impose over the great part of the Indies a measure of unified political control and a strong colonial regime. The Dutch adopted to a very great extent the principle of indirect rule—as late as 1941 there were still in existence several hundred native states and principalities and in the self-supporting villages a lively, local democratic life survived.

For very many years past, Islamic, nationalist and socialist ideals have created a ferment in the mind of Indonesian villages and shaped the character of Indonesian Nationalism.

In 1942 the Japanese assumed control of the central administrative and governmental machine that the Dutch had built up in the Indies over the centuries. For their own purposes the Japanese brought out into broad daylight many of the revolutionary movements, whose strength the Dutch and almost all Europeans had underestimated for more than a generation.

The Javanese welcomed the Japanese slogan, "Asia for the Asiatics," but interpreted it as meaning "Indonesia for the Indonesians." In their struggle for the creation of an Indonesian State under Japanese auspices, the Javanese found themselves supported by many Sumatrans—Sumatra always enjoyed a reputation for political and intellectual activity.

MAIN NATIONALIST MOVEMENTS

The nationalist movement in the Indies has taken many forms but at least eight main currents of politico-cultural activity have appeared in the last 40 years. The chief of these are several Javanese political and cultural movements, a general anti-European movement, and an Islamic all-Indonesian movement. There are also several proletarian, socialist movements, a pan-Asiatic movement, several strong peasant and agrarian movements and a Chinese national, cultural and political movement. Finally there are several democratic movements of synthesis between east and west, favourable to Dutch hegemony and, in the long run, to some sort of dominion status.

HONGKONG & SHANGHAI BANKING CORPORATION

In anticipation of the future great potentialities of foreign trade with Japan the Hongkong & Shanghai Banking Corp. has established a fourth branch office in Japan in the city of Kure in addition to the branch offices in Tokyo, recently reopened for business, Yokohama and Kobe. The manager of the Bank's office in Tokyo is Mr V. A. Mason.

These movements have frequently come into a state of fusion, conflict and confusion. Originally movements of active, intelligent minorities, they depend for their political effectiveness on the acquiescence or support of the peasant masses and on the possession of arms. Prior to the war these movements had little opportunity of acquiring arms, but during the war the Japanese took action to give many Javanese considerable military training, and after the defeat of Japan the Indonesians of Java and Sumatra were able to acquire military weapons for the assertion of their nationalist claims.

Largely because of the political astuteness of Soekarno, Sjahrir and Hatta, a new nationalist movement was brought into being and succeeded in capturing the governmental and administrative machine of Java in August, 1945.

MOSLEM FEDERATION

Of the movements so brought together, the strongest numerically, and that with the oldest tradition, is of Mohammedan inspiration. Its earliest political manifestation in the present century was the foundation of Sarikat Islam some 38 years ago. Between 1910 and 1920 Sarikat Islam underwent an expansion, its membership at the time reaching some 360,000 persons. It was at once a political, reformist, and religious movement. With its active participation in politics, it lost, however, its original unifying power and as socialists and secularists invaded its ranks, the older, traditionalist Islamic elements withdrew.

As the power of Sarikat Islam declined, its place in the religious and cultural field was taken by the Mohammadiyah Movement, which was not specifically political. Throughout the 20's and 30's the educational and cultural activity of Mohammadiyah steadily grew. In 1937 it had no less than 913 constituent divisions. It brought into being powerful youth and women's movements, and commanded the allegiance of most of those whose object was the spread of Islamic culture.

Mohammadiyah formed the minds of many thousands of Indonesians who are now determined to create in Indonesia an exclusively Islamic State. In 1943, politically conscious Moslems, with some encouragement from the Japanese, founded a Federation of Islamic Groups, naming it the Masjoemi Party. This party is the largest political group in Java today. Eight of the thirteen members of Soekarno's Cabinet belong to it, and it has no less than 67 members in the K.N.I.P. or Parliament. Its Youth Organisation

is said to number some 985,000. The provisions of Article 29 of the Constitution of the Indonesian Republic are clearly of Islamic inspiration.

NATIONALIST PARTY

In the late 20's, when the political force of Sarikat Islam was largely spent and Mohammadiyah was concentrating on religious rather than political objectives, the Indonesian Nationalist Party (P.N.I.) was formed.

It soon established a Federation of Nationalistic Organisations, on a non-denominational basis. It adopted a national flag, a red and white banner bearing on it a representation of the head of the wild buffalo. It proclaimed a national anthem, and national war cry, "Indonesia Merdeka"—"Freedom for Indonesia."

In the P.N.I., Soekarno, together with Hatta, played a prominent role. Though repeatedly interned or exiled, they laid the foundations of an extraordinarily strong nationalist movement of typical 19th-century pattern. In the 30's, the P.N.I. was suppressed, then succeeded to by numerous nationalist movements and again re-constituted during the Pacific war. Some of its leaders co-operated with the Japanese with a view to establishing an independent Indonesian Republic.

On the defeat of the Japanese, Soekarno and Hatta proclaimed the existence of the republic and in its name laid claim to the sovereignty of all the territories of the Netherlands Indies. They seem to have been largely responsible for the text of the Constitution of the Republic. Soekarno became the Republic's first President. The Indonesian Nationalist Party is today a fairly strong federation. It is militantly nationalistic, believes in a strong central Government, and has 45 members in Parliament. Its corresponding Youth Organisation (the Buffalo Youth) is said to number 750,000.

FABIANS AND COMMUNISTS

While the P.N.I. programme bears signs of socialistic influence, the socialist movement is yet distinct from the nationalist movement in Java. The chief organ of moderate socialism in the Indies is the P.S.I., the Socialist Party of Indonesia, of which Sutan Sjahrir is the leading spirit. It is Fabian in its general approach to contemporary problems and believes that the winning of political power by democratic means is the prerequisite of effective social reform. It is fully aware of the extreme economic backwardness of the Indonesian economy and of the lack of trained personnel for the direction of economic affairs in the new republic. It has 35 representatives in Parliament. Its youth movement is said to number 300,000 and Sjahrir, the party's leader, is Prime Minister and Minister for Foreign Affairs in the Republican Cabinet.

The Indonesian Communist Party is probably the weakest numerically of the political groups standing behind the Indonesian Republic. The Com-

TRADE CONTROLS IN THE N.E.I.

Foreign trade is controlled in the Netherlands East Indies by the Department of Economic Affairs in Batavia which is in charge of fixing of quotas and the N.E.I. Foreign Exchange Institute whose powers are decisive. The NIGEO (Netherlands Indies Govt. Import Export Organisation) has been relinquishing its trade control duties in favour of the above-named two organisations. A large part of imports into the NEI will continue to be shipped through the General Import Organisation of the N.E.I. (or AIONI). The import licensing arrangements which are temporarily in force are as follows:—

Goods regarded as essential are either imported through the Algemeene Import Organisatie Nederlandsch Indie (A.I.O.N.I.) or privately according to their nature, subject to the following:

Import quotas based mainly on importers' past trade will be fixed by the Director of Economic Affairs in Batavia. A margin will, however, be reserved for newcomers.

Import quotas will become operative as and when the import of particular commodities is proposed by the Department of Economic Affairs, and approved by the N.E.I. Foreign Exchange Institute which will then issue a buying permit to each importer in proportion to his quota.

When the buying permit is obtained an importer may obtain a foreign

exchange permit enabling him to establish documentary credits from a bank if price, quality and time of shipment are acceptable to the N.E.I. Foreign Exchange Institute.

The following goods are totally prohibited from import:

Weapons of all descriptions, including sporting weapons and spare parts, ammunition, explosives, any kind of war materials.

A special licence from the Director of Economic Affairs is needed for goods suitable for the manufacture of articles mentioned above, such as Machinery, instruments and their spare parts.

All kinds of high-speed steels, steel wire, copper wire, steel and iron tubes.

Oxygen, Sulphur, pitch and alcohol.

Also for:—

Vessels and aeroplanes, their spare parts as well as material obviously belonging to these.

Transport vehicles and spare parts.

Fixed and rolling railway stock, telegraph, radio-telegraph and telephone equipment.

Fuels and lubricants.

Uniforms, appurtenances and accoutrements.

Gold and silver, minted or unminted, including ores as well as gold and silver ware.

N.E.I. or other paper money.

munist Party (P.K.I.) was founded in 1920 and drew much of its strength from the previously existing Social Democratic Group, and the more Marxian elements in Sarikat Islam. It kept up violent revolutionary activity throughout the 20's and was largely responsible for the abortive revolution of 1926.

Proscribed by the Dutch, the Communist Party went underground but succeeded in maintaining its contacts with the Third International. Since the establishment of the Republic, the P.K.I. has pursued a seemingly moderate policy, intent on securing for its members strategic positions in the internal organisation of the Republic. When the Masjoemi Party and the Nationalist Party threatened to reject the 1946 Cheribon (Linggardjati) Agreement out of hand, the Communist Party rallied support for this compromise agreement, afraid lest the Indonesian masses should tire of the revolutionary struggle and abandon the Nationalist Republic.

Doubtless as a reward for its activity, Soekarno by decree increased the representation of the Communist Party in the temporary parliament from one member to thirty-five.

DECENTRALISED POWER

In the Parliament the Labour Party of Indonesia has 35 members, the Christian Indonesian Nationalist Party 8, the Catholic Nationalist Party 4, the Chinese 7, and the Arabs 3. The outer Indies are also represented.

The Parliament, the Komite Nasional Indonesia Poesat, is only loosely representative, its composition being determined by presidential decree.

As a means of ensuring acceptance by the Parliament of the Cheribon Agreement, Soekarno appointed an additional 150 members, bringing its membership up to 413. But the Parliament wields little power. Effective power is in the hands of the largely autonomous villages, the area commandants, the party leaders, the Cabinet and the generals of the private armies and the Indonesian Nationalist Army. Soekarno, as President, has hitherto commanded the allegiance of the masses and of the party organisations.

But the support accorded him has largely been conditional upon his allowing the widest autonomy to local, racial and cultural groups. For many of these groups Independence for the Republic has meant Independence within the Republic.

CHERIBON AGREEMENT

By the Cheribon agreement, ratified in March last, the Dutch have recognised the de facto authority of the Soekarno regime in Java, Sumatra and Madura and have undertaken to set up before 1949 a federal sovereign state, to be known as the United States of Indonesia and to have some form of association, as yet undetermined, with the Netherlands. Of this federation, the Republic of Indonesia will form a subordinate state. In the

CONDITIONS IN MANCHURIA

While in our previous issue the tangled and deteriorating financial conditions and the inflation of the North Eastern currency were described, in the following accounts two principal industries of Manchuria, built up by the Japanese, viz the Textile Industry and the Electric Power Industry are reviewed. Chinese economists have compiled the material which has been translated by the Bureau of Documents, University Aurora, Shanghai.

TEXTILE INDUSTRIES

The textile industry in the North East possessed a considerable amount of equipment, but like all other industries it had been established by the Japanese and it suffered heavily from removal and destruction after the war.

I.—THE PRODUCTION OF TEXTILE RAW MATERIALS

The first raw material for the textile industry is COTTON. Though the North East has a cold climate, yet in the region south of Liaoyang cotton can be cultivated in the two provinces of Liaoning and Antung. Production, however, is very limited and insufficient to meet the local demand. In the past, the North East used to depend on imported cotton to meet its requirements. During the ten years of development by the Japanese in the North East, there was a continual improvement in the amount of production. There was a 26-year Plan to increase the area under cotton to five million mow with an annual production of 150,000,000 chin (1.33 lbs). Up to the time of the Japanese surrender, on account of the climate and other difficulties, the plans had not been realized. Nevertheless, the amount of production has been raised to some extent.

After the outbreak of the Pacific War, the import of cotton from America, India and Africa was interrupted. Because of the serious shortage of cotton, the Japanese and puppets carried out their plan for increased production by forcing the farmers to plant cotton. The area of the cotton fields was expanded to 110,000 hectares. The Manchukuo government regulated the market

price of cotton. Besides meeting the military demand for the manufacture of explosives, cotton was distributed to the mills in various places in order to maintain the production of cotton goods. The annual production went beyond a half million tons.

After the war, rules for the cultivation and purchasing of cotton were no longer enforced; the cotton mills were all at a standstill owing to hostilities and destruction. For lack of purchasing power, the cotton could not be marketed and the price dropped drastically, with serious loss to the growers. As a result, the cotton farmers all went bankrupt in 1945. Taught by this experience they last year cultivated food stuffs in place of cotton. The area of cotton fields in Liaoning last year was 719,000 mow (0.164 of an acre), and the amount of cotton produced was 230,000 piculs which was only half the amount of former years. Last year, when the China Textile Corporation and private cotton mills resumed work in the North East, there was a shortage of raw cotton. Furthermore, peace and order were not restored in the rural district and as a result, the price of the raw material went up. Therefore the North-Eastern Textile Company was organized to buy the cotton at an enforced low price. For example, when cotton was collected from the growers in the cotton-producing district of Tashihchiao, though the cost of the best quality was over N.E. \$200 per chin (1/100 of a picul) the enforced price was N.E. \$130. The cost of production of the second grade was \$180 per chin, while the ceiling price was N.E. \$120. The enforcement of these prices roused an outcry from the farmers, who said, "Next year you can grow your own cotton!" The resulting drop in the production of cotton has crippled the development of the textile industry and prevented all efforts for its rehabilitation.

To cope with next year's demand for raw cotton the Department of Agriculture and Forestry of the North-Eastern Administration plans to increase the area under cotton in Liaoning Province to between 1,200,000 and 2,000,000 mow. A cotton loan of N.E. \$200,000 is proposed, on the basis of N.E. \$1,000 per mow. There seems, however, to be a discrepancy in these figures: with a present area of 719,000 mow, from 481,000 to 1,281,000 mow will have to be added to obtain the increase planned; but this loan only allows for 200 additional mow! Rural co-operatives are to be established to handle these loans. It is hoped that tools, chemicals and fertilisers will be obtained through C.N.R.F.A. and improved seed through the Farmer's Bank of China and the China Textile Corporation. If this plan is carried out according to schedule the North-East should become self-sufficing in cotton. The North Eastern Section of the China Textile Corporation has expressed the view that the ceiling

price imposed should be raised to meet the local cost of living. This is in the interest of the farmers and will encourage them to produce more cotton. Although it is necessary at present to control the price of cotton goods, this should not be done at the expense of the growers.

The North East has ample supplies of raw material for the WOOL, HEMP and SILK industries. Various stem fibres, such as flax, hemp, abutilon fibre, castor oil plant, and foreign hemp, have long been cultivated. Flax is the most widely grown: 90,000 tons were produced in 1945, mainly in the north, in Heilungkiang and Sunkiang. It does not rot in water and is permeable: its elasticity is great, so that it neither stretches nor shrinks and is very suitable for textiles.

The production of wool is also considerable. The North East was originally a sheep-raising region and during the enemy occupation the flocks maintained their numbers at 2,430,000. The export of wool in 1932 had a total value of Manchu \$3,987,000 while the export value of flax was \$1,145,000. The Shantung silk produced in the North East used to be world famous and is one of the most important products, coming after soya beans and coal. It was the raw material for Japanese lustrating silk, and it also has a market in Europe and America. In 1939 it was exported to a total value of \$13,873,000. The North East is therefore able to supply its own demand for wool, stem fibres and silk and these industries are in much better condition than the production of cotton.

II.—TEXTILE INDUSTRIES UNDER JAPANESE MANAGEMENT

Although the North East can produce all the important raw materials for them, the textile industries were only established on a modern basis after the Japanese occupation. Japanese capital was poured into the country and many large scale companies were formed. The development of heavy industries led to a complete industrial reconstruction and the textile mills became very important especially during the war when they were almost entirely under Japanese management.

After the outbreak of the Pacific War the export of silk was interrupted and the Japanese reorganised the factories to produce wool substitutes. In spite of the unprecedented development of the textile industries under Japanese management, it was something of a robber economy, since they used all the products to further their aggression, leaving the local population with insufficient resources for clothing.

Since the Japanese surrender the textile industries have been damaged both in the course of local fighting and by the removal of their equipment.

III.—GENERAL CONDITIONS UNDER THE MONOPOLY OF THE CHINA TEXTILE CORPORATION, NORTH EASTERN SECTION

The taking over of the North East was not very successfully carried out.

meantime with Dutch assistance a State of East Indonesia, embracing the greater part of the outer Indies, has also been set up. A State of Borneo is also in contemplation.

The Pascendan Party of West Java took action to proclaim the existence of a Sundanese State, separate from the Republic and claiming equality with it and the State of East Indonesia, within the proposed federal body, the United States of Indonesia.

In March the Republic was recognised as exercising de facto authority over 60,000,000 people, but of these no less than 12,000,000 were Sundanese. East Indonesia comprises another 11,000,000 people.

The textile industries, which are mainly concentrated in the south, are now being operated by the Government through the China Textile Corporation. Last year eleven textile factories were taken over, four of which, the South Manchuria, the Kung Tai, the Tung Yang and Fengtien, had been greatly damaged. The spindles of the Fengtien Cotton Mill were completely destroyed, only the looms being left. Other factories have been taken over and are now functioning at Liaoyang, Chinchow, Yingkow & Antung. There are 160,000 spindles at Dairen and Chinchow but the taking over of Dairen remains an unsettled problem.

The present condition of the chief factories taken over is as follows:

1. **THE LIAOYANG TEXTILE FACTORY**, one of the first to resume work after the taking over, was originally known as the Manchuria Textile Co. of Liaoyang. It has three separate factories, the first of which has 38,000 spindles made by the Shirley Company in England, 500 Japanese looms of Fengtien type and 540 looms of Yuanchow type. The second factory has 40,000 spindles of Japanese make and there is a dyeing department with 37 dyeing vats and 5 drying machines. The greatest output from this plant was in 1943 when it employed 4,000 men and produced 200 bales of cotton yarn and 2,000 bolts of cloth daily. Later, owing to lack of capital and raw materials, only 20,000 spindles and about 400 looms were working. After the Japanese surrender the factory was occupied first by the Russians, who kept part of it in operation, and after their withdrawal by the Communists. There was a considerable loss of raw materials, manufactured goods and machine parts. After being taken over by the Ministry of Economic Affairs the management of the Company was transferred in Sept. 1946 to the China Textile Corporation. Since then the number of spindles in operation has increased from 10,000 to 30,000, that of looms from 100 to 300, giving a daily production of 70 bales of cotton yarn and 500 bolts of cotton cloth. It is hoped to raise the daily output to 200 bales of yarn and 2,000 bolts of cloth in a few months when all the spindles and looms are back in working order.

2. **THE CHINCHOW TEXTILE FACTORY** was originally known as the Tungmien Textile Co. Besides spinning and weaving machinery the factory has 6 special sewing machines and 178 electric sewing machines, though it has not separate departments for dyeing and sewing. Fortunately it was taken over almost immediately after the Japanese surrender so that although there were minor losses the Chinese Textile Corporation took over the full complement of 50,720 spindles and 1,830 looms, besides 21 dyeing machines and 4 printing machines. 30,000 spindles are already at work and it is hoped that in a month or two the factory will again be working at its full capacity with a daily output of 130 bales of cotton yarn and 350 bolts

of cloth. The factory formerly processed silk, castor fibre and wool as well as cotton. The equipment for woollen textiles, consisting of 4 spinning machines, six carding machines and 60 looms, with good finishing equipment, has now been transferred to another place.

3. **YINGKOW TEXTILE FACTORY** was formerly known as Yingkow Cotton Textile Co., Ltd. and had 55,000 spindles and 1,700 looms. After the surrender it lost a good deal as it was successively occupied by the Russians and the Chinese Communists, and then transferred first from the district administration to the Ministry of Economic Affairs and finally to the China Textile Corporation. The 8,000 spindles and 160 looms operating last July have now increased to 25,000 spindles and 600 looms. At its full capacity it will have a daily output of 150 bales of cotton yarn and 3,100 bolts of cloth.

4. **ANTUNG TEXTILE FACTORY** is the former Manchurian Tung Yang Textile Co. It has six departments: a filature with 16,000 spindles; a weaving section with 504 power looms, 540 more not yet installed, and 500 glove-making machines; dye works with a daily capacity of 400 bolts of cloth; a synthetic fibre department with a present daily output of 13 tons of fibre and the machinery for another 10 tons, not yet installed; a carbon disulphide section with a daily output of 5 tons; and a sulphur and soda section with a daily output of 2 tons. The Communists burned down the godowns and removed the stocks but left the machines. It will take a year to repair the damage.

In all the China Textile Corporation have taken over about 200,000 spindles besides 10 ginneries, without counting those at Dairen, not yet taken over. It now holds a complete monopoly of the textile industries in the North East, driving out the small private factories. This became obvious last winter when the private factories could not compete with the Corporation because of lack of raw material, political uncertainty, the high cost of management and production, lack of capital and the high rate of interest. Some have already closed down while those at Mukden are appealing for relief.

It is for the Government to choose between promoting local enterprise and continuing to use official capital to monopolise the textile industries of the North East.

ELECTRIC POWER

The power industry of the North-Eastern provinces (Manchuria) was started forty years ago with the spread of Russian influence. After the Russo-Japanese War, the Japanese succeeded in this field as in many others. The North-Eastern provinces were looked upon by the Japanese as the base of their heavy industry, electric power, received their special attention and were intensively developed so that when World War II ended the North-East had reached a high degree of electrification. To-day however

less than one-third of the equipment of the power industry is left.

The following is a resume of power conditions in Manchuria.

I.—BEFORE VICTORY

Before victory, there were three hydraulic power plants and fifty-nine steam power plants in the North-East, with a total generating capacity (excluding the capacity of the Shuifeng Plant located on the Korean border) of 806,000 Kw. and 1,107,230 Kw. respectively. With the exception of the Chaoho Steel Works in Anshan, the Manchurian Cement Factory, the Punchihou Coal Mine and a few other factories which possessed their own private power generators, the power demand of the whole of the North-Eastern provinces was supplied by the gigantic electric network run by the "Manchuria Electric Corporation." The magnitude of this network could be seen from the fact that the Fengman Water Power Plant was the fourth biggest plant in the world. Besides its generators, it also comprised 35 transformer plants for transmission with an approximate capacity of 1,400,000 KVA and 187 transformer plants for reception with a capacity of 2,500,000 KVA approximately. The high potential transmission net brought power to the various places at high voltages of 220,000 volts and 154,000 volts. Transmission lines carrying over 22,000 volts totalled over 11,400 kilometers in length. Among these lines, the 2 transmission systems of Central Manchuria and Southern Manchuria met at Anshan to constitute an electric net which connected Suihua in the North, Antung in the East Port Arthur, Ying-kou and Suichung in the South and Foushin in the West. The great electric net of Peipiao represented an investment of more than one billion Manchu yen, while the capital of the Fengman Water Power Plant alone amounted to 200 million yen.

II.—DESTRUCTION REMOVAL AND PRESENT CONDITIONS

Subsequent to the Japanese surrender most power plants were destroyed or removed.

The only power plants remaining are Fengman hydroelectric plant, 120,000 Kw.; Fushun, 75,000 Kw.; Changchun, 49,000 Kw.; Anshan, 30,000 Kw.; Sian, 30,000 Kw. and half of the 300,000 Kw. of the Suifeng Plant (the whole of which is controlled by the USSR), totalling 500,000 Kw. or less than one-fourth of the original amount. Most of the remaining equipment needs repairs the Suifeng transmission cables are in bad condition; Harbin and other places are still occupied by the Communists. For these reasons, the maximum generating capacity is now only about 200,000 Kw.

III.—ESTABLISHMENT OF THE POWER ADMINISTRATION

During the Japanese occupation, all power administrative organs of these provinces were under the direct control of the Manchuria Electric Corporation. After the victory, the corporation was at the first taken over

by the Ministry of Economic Affairs but later, in October last, after the Director of the National Resources Commission had conducted a survey, it was decided that all mines and power plants within the boundaries of these provinces should be reorganized into 19 units to be placed under the direct control of the Commission. Among these units, was a Power Administration of the North-Eastern Provinces which was formally inaugurated on the first of November 1946 in Mukden. In August and September last, the Communists damaged the transmission lines of the Fengman Plant, putting Mukden into darkness for more than half a year. The Administration then appealed to the military authorities for protection while the work of repairs was done. The lighting problem was thus solved, but owing to the high demand and the fact that there was no means to increase generating capacity, the supply connected.

The organization of the present Power Administration is as follows: Besides the head office, there are seven district offices, established in the districts of Changchun, Mukden, Chingchow, Liaonan, Soongkiang, Mutan River and Lungkiang. In Ying'kou, Anshan, Sian, Fushun, Sze-ping, Kirin, Antung, Tunghua, Hailar, and Yenchi there are branch offices. In Fengman, Fouhsin and Fushun, power generation administrations are established, and in Anshan and Changchun, offices for adjusting the electric grids. There is also an office for the Suifeng representative and a Mukden Repair Plant.

IV.—FUTURE PLANS

The plans of the Power Administration are:

(1) Repair of the transmission lines from Suifeng to Anshan. All cables, porcelain insulators and pylons of these lines have been badly damaged. Between Anshan and Chaochok'ou, more than ten of the pylons have been damaged. In spite of the shortage of materials, repairs are actively under way. (2) Removal of three transformers of 15,000 KVA from Chinghsi to Mukden to increase the transforming capacity. (3) Completion of Chinghsi's new generator of 15,000 Kw. in order to increase the power supply of that place. (4) Building of an additional steam power plant of 2,000 Kw. in the district of Fouhsin. (5) Removal from Changchun and Sian of two steam generators of 15,000 Kw. each in order to establish a plant in Fushun.

The above-mentioned are measures which can be completed in a short time. In addition the authorities plan to increase the capacity of power generation to 500,000 Kw. within three years. To realize this plan, two 70,000 Kw. water driven dynamos will be installed in Fengman, two 50,000 Kw. steam driven dynamos in Fushun and one steam driven dynamo of 50,000 Kw. in Fouhsin. It is estimated that by the end of this year, the generating

capacity will be increased to 300,000 Kw., by the end of next year to 400,000 Kw. and the end of 1949, to 500,000 Kw. These figures do not include those for the Suifeng Plant. The demand of North-Eastern heavy industries will far exceed 500,000 Kw.

V.—PRESENT DIFFICULTIES

(1) All the remaining power equipment is old and rusty and easily goes out of order. For example at Mukden, the transformers usually go out of order several times a day in winter. This is due to the overcharge on the transformers as a result of the use of electric cookers and electric heaters by the consumers. Replacement is extremely difficult.

(2) The transmission lines from Suifeng to Anshan have been greatly

damaged. At present, there is a shortage of high potential lines for 220,000 volts, which makes repair work difficult.

(3) There will be no import of hydroelectric or steam dynamos from America within three years, so that the installation of new dynamos is difficult.

(4) There is a great lack of capital. As consumption charges are low, the income of the Power Administration is not sufficient to cover all expenses. Materials cannot be replaced, the salaries of the staff cannot be adjusted.

(5) Order has not yet been restored, which delays repair work. Usually, what has just been repaired is again damaged shortly afterwards.